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ABSTRACT

Transcripts of the 1971 Senate hearings on rural development held in Stillwater, Oklahoma and Lincoln, Nebraska are presented in this document. Derived from many sources representing the varied interests of each host state, representative testimony includes that of: university professors and administrators; State and Federal legislators; chamber of commerce representatives; bank executives; community action committee members; extension economists; public school officials; representatives from private industry; etc. Among the many specific organizations represented in these hearings are: Nebraska State Grange; Lincoln Legal Services; Nebraska Farmers Union; Nebraska Bankers Association; Nebraska Petroleum Council; Niobrara River Basin Development Association; Nebraska Livestock Feeders Association; Oklahoma Young Farmers Association; University of Oklahoma Medical Services; Omaha Economic Development Council; Farmers Home Administration; Nebraska National Farmers Organization; LeeFac Manufacturing Company; Statewide Advisory Committee of the Nebraska Department of Economic Development. (JC)

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RURAL DEVELOPMENT

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON RURAL DEVELOPMENT

OF THE

COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST SESSION

ON

1. BALANCED NATIONAL GROWTH POLICY
2. NATIONAL RURAL DEVELOPMENT PROGRAM
3. S. 1612, THE RURAL COMMUNITY DEVELOPMENT REVENUE SHARING ACT OF 1971
4. REORGANIZATION OF U.S. DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES

SEPTEMBER 9, 1971 — STILLWATER, OKLA.

SEPTEMBER 10, 1971 — LINCOLN, NEBR.

PART 5

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RURAL DEVELOPMENT

THURSDAY, SEPTEMBER 9, 1971

U.S. SENATE,
SUBCOMMITTEE ON RURAL DEVELOPMENT
OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Stillwater, Okla.

The committee met, pursuant to notice, at 2:20 p.m., at the student union, Oklahoma State University, Stillwater, Okla., Hon. Hubert H. Humphrey presiding.

Present: Senators Humphrey, Curtis, and Bellmon

Also present: Representative Camp.

STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator HUMPHREY. On behalf of the Senate Committee on Agriculture and Forestry and the Senate Subcommittee on Rural Development, I wish to express our thanks and appreciation to Oklahoma State University and to members of the faculty, administration, and student body, the people of this fine State of Oklahoma, for permitting us to come here today and to listen to some of the advice and counsel that can be given to us by leaders of the people of Oklahoma, men in government and industry, in agriculture, and in many walks of life.

Permit me to introduce the members of our committee and, of course, I am sure that at least two of them you know very very well. At the end of the table is Congressman Camp of—what is your district, Congressman?

Mr. CAMP. I believe the sixth.

Senator HUMPHREY. You believe it is the sixth? [Laughter.]

Mr. CAMP. Maybe next January.

Senator HUMPHREY. He has a fortuitous name. They call him "Happy" Camp and it is good to be that way.

The next gentleman is the Senator from the State of Oklahoma, a gentleman who has served you in many capacities, as Governor, now Senator, Henry Bellmon, member of our committee.

Next to me is the distinguished Senator from the State of Nebraska. We shall be visiting his State tonight and tomorrow. Senator Carl Curtis.

I should indicate to the Oklahomans that are here that Senator Curtis has been using a bit of his time on Oklahoma to speak about a football team. [Laughter.] I do not know what this has to do with rural development, but I can tell you that he is an expert on it. I have not said too much yet because the Golden Gophers do not seem to be doing as well as they once did. [Laughter.]

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The Minnesota Twins need a slight amount of redevelopment, but the Vikings show promise. [Laughter.]

We are not here to discuss football, however. We are here to discuss a very important matter of concern to this Nation and concern particularly to young Americans, and I am very pleased to see this auditorium so well filled with our young friends of the campus, the university.

We are on a campus that has had great leadership and now has great leadership. I knew Dr. Bennett, one of the truly great Americans, one who contributed so much not only to our own country but to people all around the world. I have just had the opportunity to meet the past president, Dr. Welham, who came here to visit with us, and I want to thank him.

Dr. Welham has a very good heritage. He received his doctorate degree from the University of Minnesota, which qualifies him for any position. [Laughter.]

I want to also, while I think about it, thank Oklahoma State for sending us David Ward, who is a member of the Vikings. I was with him the other day. His parents, I believe, live in Tulsa. He had an enviable record here in your athletics, in football. He is going to have a greater one. Keep your eyes on him.

I know how important some of these events are, but the Super Bowl game with David Ward in the line will be very, very important. So watch him.

Now, I have something to say which will be very brief relating to this subject matter. I have introduced our colleagues. This is not a partisan conclave. I think you know I am slightly outnumbered if you want to look at the partisan persuasion. However, this has never caused me any fear or trepidation. It is what I consider to be a challenge. But we are a committee, or make up a committee that has a common purpose. The members of this committee have a common purpose and that is to try to learn and to try to find ways and means of helping to bring about a national growth policy for our Nation that will provide a richer life, better quality of life, for more and more of our people.

There are facts which this assembly knows. In the next 25 to 30 years, another 100 million Americans will live in this land of ours. We will have anywhere from 290 to 300 million people. Where are they going to live? What kind of a life will they live? What kind of a life do they want?

Are we content with it as it is? I would hope not. I think we have to recognize that decisions that we make today or fail to make today guide our future. You do not make decisions about the future in the future. You make them now. And it is very important for us to recognize that or great metropolitan centers are in a state of crisis. I cannot say through any fault of their own because we have experienced in the last 25 to 30 years in this country of ours the greatest mass migration of humanity that any nation has known in the last thousand years. Thirty million Americans have literally left their home towns and their farms and moved into the great metropolitan areas of this Nation, and many of those 30 million were elderly, poor, and many of them are young, seeking the opportunity, adventure, jobs, a new life, and we have in a sense had a mass hemorrhage of people from rural America.

We now know that something has to be done about it. You cannot have—for example, in your own State, I know, 13 of your counties lost 10 percent or more of their population between 1960 and 1970.

In the United States, a thousand of the 3,000 counties lost population. We are facing the prospect in the next 25 years of having approximately 85 percent of our people living on 2 percent of our land. We are facing the prospect in the next 20 years of seeing a city the size of Philadelphia double. At the present time, it is without many of the municipal services that are vital. It is having to close up some of its extracurricular activities of school, cut out its athletic programs, be unable to finance minimum services. So we are now trying to look ahead, how can we attract people to the vast areas of this country?

You might call it the great hinterland between the Appalachians and the Rockies. Or are we going to end up as some have predicted where we will have four great metropolitan areas that will make up one-half of the total population of this Nation, a strip on the east coast, the west coast, the gulf coast, and around the Great Lakes that will comprise over 50 percent of the total population?

Now, we know that most Americans would like to live in what they call more living space; they say in rural America. Those of us that are in politics do watch the polls for one reason or another, and we see the Gallup poll showing that 63 to 65 percent of the people prefer to live someplace else; I mean, prefer to live in a smaller town, to live in a community such as Stillwater, to live in a community such as Rochester, a community of 20,000, 15,000, 10,000, 50,000, or under a hundred thousand.

Why do they not? Well, the answers I think are coming very clearly. When you go to a graduating class of a high school, as we did in Georgia, you may remember, there were 167 graduates in a high school and less than 25 planned on staying in the town where they graduated, or in the county. They were going to leave. And why? When you asked them, they said, well, we need good jobs. We need economic opportunity. We want to go to a place were there are good schools; we want to go to a place where there are hospitals and medical care.

Well, we know this can be done. We just left McAllister this morning, and we helped dedicate the groundbreaking ceremony for the beginning of a great regional health center, a community mental health center. It can be done.

We were not long ago in Alma, Ga., and saw a community that had been literally rebuilt because of strong leadership on the part of local people and the willingness to cooperate between government—Federal, State, and local—and the private sector. So that is what we are talking about.

We do not know the answers. If we did, we would not need to be out here. We are coming here to ask your Governor, we are coming here to ask people from different parts of your State, to tell us some of the things that have worked, to tell us some of the things that have worked, to tell us some of the things that have not worked, to tell us what might work, because we have to experiment. We cannot afford to let things drift in America any longer. We need some planning, some allocation of resources, and we need to get on with the task of trying to make this country a much more livable place, not only in terms of its physical environment, but its social environment, to relieve ourselves of some of the tensions and the anxieties which are so evident and present today.

Now, that is the opening that I would like to leave with you to give you some idea of what we are thinking about. I want the students here to keep in mind, this phrase, a national growth policy. We no longer can just let this country drift. Even with the wealth and the power that we have, this will not suffice.

We once had a growth policy. We had 160 acres of free land. We gave railroads 6 acres on each side of the track to expand this continent. Rural free delivery, the land grant college. There were things that encouraged people to populate what we call mid-America.

Since that time, since the 1920's and 1930's, I am afraid that whatever growth policy we have has been negative. You get more welfare if you go to the city. There apparently were more jobs to be found in the city, and all too often much of our rural area was left to stagnate.

Here is the place, I think, for the future of our Nation. I really believe that the future of this country depends in large measure on what we can do to give a better balance to urban and rural growth.

Might I say to those that are keenly interested in the cities, the urbanists, I have been a mayor of a great city of a half million people. There is no answer to urban problems until we find answers to rural problems. They are one and inseparable. It is a question of which comes first, the chicken or the egg, and I would suggest we look at both because there is no other way to do it.

Senator Curtis, would you care to make some comment?

STATEMENT OF HON. CARL T. CURTIS, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator CURTIS. Well, thank you, Mr. Chairman.

We are delighted that we could be here. I am sure the citizens of Oklahoma will continue to present us with some very helpful ideas on rural development. We have already received some excellent ones. We are delighted that we have a chairman so much interested in rural development, Senator Humphrey.

I might say to you Oklahomans that the contribution of Oklahoma to this subcommittee is very fine indeed. Senator Bellmon is a most helpful member to us.

I regard rural America as the land of opportunity. It is that part of our country where the future lies. It is that part of our country that offers hope to the whole Republic, and I believe that the greatest force for developing rural America is right in the communities themselves, the rural people.

I thank you, Mr. Chairman.

Senator HUMPHREY. Senator Bellmon, I am sorry I—as the host Senator, I should have called on you first, but I am sure that people here would like very much to hear from you.

Senator BELLMON. Thank you, Mr. Chairman. I supposed you were going according to seniority.

Senator HUMPHREY. On that basis, I should be last. [Laughter.] You let them know I am a freshman Senator.

STATEMENT OF HON. HENRY BELLMON, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator **Bellmon**. Mr. Chairman, I would only like to take a minute to welcome the committee to Oklahoma, especially to the OSU campus. As you probably know, this is my alma mater, and I am very proud of OSU and very pleased that the committee chose to hold its formal hearings here in this fine student union.

I want also to add a word to what Senator Curtis said about the fortunate position we are in to have you as chairman of this subcommittee. For those of you who are not aware of it, Senator Humphrey was born in a small town in South Dakota, grew up under those conditions, and then, as he said, later become mayor of one of our great cities, so he has a very personal interest and a great depth of knowledge about problems of both rural America and of the urban centers, and I believe that this knowledge is giving him the insight he needs to do the job that has to be done in helping to find ways of solving the growth problems of the Nation.

Also, we are very fortunate today in our witness list. We have on this list may individuals who are particularly qualified by experience, knowledge, and by the ideas that they have garnered throughout their lives, and will be able, I am sure, to give us many ideas that the committee could use in drawing necessary legislation to help bring about a balanced policy for the Country.

Already the committee has visited McAlester and Perry, and we will go from here today, as you probably know, to Nebraska, where we will tour Senator Curtis' State tomorrow.

As we came from Perry to Stillwater on the bus, we came through an area that some of you know very well. At one time, this rural agricultural area was populated with one family on each 160 acres. As we drove along today, you could see there are practically no farmhouses left.

All those people are now living somewhere, not in Oklahoma in many cases. A lot of them had to go to the urban centers and the west coast and other parts of the country in order to find jobs, and this is the sort of thing I believe the committee is interested in, and it has contributed so much to our problems, and it is the sort of thing we hope will not continue but that, rather, will reverse the trend so that people who may wish to, will be able to come back.

We saw in Perry what I think is an ideal solution, a plant that does provide off-the-farm opportunities for those who continue to spend part of their time in agriculture, and we found there that these kinds of workers are highly productive. They are able to compete with urban plants and I believe provide an almost ideal solution to the problems of outmigration from the rural areas.

And so, Mr. Chairman, I think we are fortunate today to have the chance to gain some additional ideas and some insights into this problem here on the OSU campus, and I look forward to the witnesses and their testimony.

Senator **Humphrey**. Congressman Camp, would you care to say something?

STATEMENT OF HON. JOHN N. HAPPY CAMP, REPRESENTATIVE IN CONGRESS FROM THE SIXTH CONGRESSIONAL DISTRICT OF OKLAHOMA

Mr. CAMP. Senator, I, too, wish to welcome you gentlemen to the great sixth district of the State of Oklahoma in which, of course, the finest people in all of Oklahoma and the whole United States live, and I want to say to you that I appreciate very much that you gave me, or showed me the courtesy and invited me to come, even though I am not connected in any way whatsoever with you committee. But it is a privilege for me to have this opportunity to be here and learn with you from these people their ideas in regard to the problems we are talking about. Welcome, and we thank you very much.

(Representative Camp's prepared statement is as follows:)

Representative CAMP. Mr. Chairman and members of the committee, I would like to submit for the record my views regarding rural development.

Ever since the term "rural development" was first used by Under Secretary of Agriculture, True Morse, back in 1954, the problem of stemming the outmigration of people to the cities has been with us. Periodically, concern has been expressed by citizen groups and political leaders across the country.

In the past decade the position of rural America as viewed by each succeeding administration and by Congress, has been transformed from concern to near-panic proportions. And well it might. Although the Nation has many serious problems, none can exceed that of city overpopulation and the draining of rural areas of the manpower and brainpower that should be kept there.

The fact that 70 percent of our people live on 2 percent of the land is an unhealthy situation that fueled the 1960's as a period of near-disaster.

Attempts at solutions to the grave situation have been made time and again, but with little success. Solutions have usually taken the form of appropriating billions of dollars for temporary stopgaps. These were dissipated almost as rapidly as the dollars flowed into the States with only slight lasting benefits.

We have failed to realize that long-term planning is the only answer for rural America.

Actually, rural development should not be considered as one program. It is a process which involves government at all levels, the private sector, resources, and the people themselves. All of these must be brought together to interact and be made to function in a way that will bring renewed prosperity and an environment of well-being to thousands of rural communities throughout the Nation.

The most important component of the essential growth process is the people who live in the communities. Unless they want something to happen, nothing can happen. However, once they decide what they want for their community—and proceed to form an appropriate partnership with their government and/or the private sector—they can very well be on their way to achieving their goals and objectives.

Rural development really means a process where people are motivated to a point of action and work together with their government for better communities—communities that contain the necessary amenities to make them good places in which to live and earn a living.

I am pleased that a reevaluation of our national policy is shaping up into a process that should have greater impact upon the problem within the next few years than those of the haphazard decisions of the past. In any event the solution cannot come overnight. People cannot be suddenly transplanted from the cities back to the better environment of rural America.

The U.S. Department of Agriculture in the past couple of years has realined the thinking that must go into any workable answer. A separate branch has been developed to coordinate efforts of all other governmental agencies. It has made use of the extension service based in every county of the Nation, the Farmers Home Administration offices in each State, the land-grant colleges, the State planning departments, and the intergovernmental agency to bring together a realization of the real needs needs of rural America and what must be done to do more than spend money with minimum accomplishments.

It would seem that we are now fulfilling the guidance which community leaders have clamored for. The basic concepts are being spelled out. Now we must move into the next phase—with deliberation, but also with all speed before we lose the enthusiasm that has been engendered by the rising belief in the new rural development plans as the answer to major problems, both rural and urban.

I am particularly happy that these plans are not being directed from the top down as has been too often the case in the past and which has been the cause for most of the failures. Federal programs should be effectively delivered where the people want them. The initiative for evaluating local needs, assessing of local resources, and planning for actual development must come from the States and local community leaders.

I am confident that progress is accelerating in developing the process of revitalizing rural America. In coordination with all other planning, cities will benefit at the same time that the thousands of smaller communities throughout the nation begin building for permanent recovery by making use of local people determining their needs and then being supplied with the resources to accomplish the desired end.

Congress must see that basic recommendations of the agencies and State groups which have been shaping up plans to step up development of rural America become a reality. We can rely upon Americans to seize the opportunity if we show the way and provide the financial means to fire the momentum.

Senator HUMPHREY. Thank you very much.

We are going to have our first witness.

I should just mention that I want to thank the student body here. Some of you were around when I was here a couple of years ago, about 4 years ago. You put up with me. I thank you for doing it again.

Senator Bellmon reminds me of it when he said I grew up in a small town. My town was 600 that I grew up in and I am back in a town of 600. I have been to Oklahoma State. I am back here. It just proves recycling works. [Laughter.]

Now, Governor, thank you. You have added much already to our visit and we thank you and we are looking forward to your testimony. We want you to proceed without interruption and, if you will permit us at the end, we would like if you have the time—we know you are hard-pressed for time—to ask some questions.

STATEMENT OF HON. DAVID HALL, GOVERNOR, STATE OF OKLAHOMA, OKLAHOMA CITY, OKLA.

Governor HALL. Thank you, Senator.

I want to add my welcome officially to you, Senator Curtis and, of course, our Senator Bellmon, and, Congressman Happy, we are glad you are with them today. I think this group is exciting the kind of interest in Oklahoma that thrills our citizens and to come to this great campus, one of the great universities in the Nation, it is appropriate that you should be here for your investigation.

It is a great honor to have an opportunity to testify for our State before the U.S. Senate Subcommittee on the Rural Development Problems of America. We feel that rural Oklahoma provides some of the great strength that has gone into building our State and perhaps some of the experiences that we have had are going to be important and meaningful in the work that you will do in the Congress.

After crisscrossing our State gathering material for an article for the August edition of National Geographic, the author of that article, Robert Paul Jordan, called Oklahoma "Tomorrow Country".

Jordan wrote about our open expanses. He traveled the new McClellan-Kerr Waterway, Jordan saw our natural rich resources. He praised the rugged and good Oklahoma people. Jordan admired our "positive 'can do' attitude." He said it marks Oklahomans' dedication to education and research.

Because National Geographic did such a comprehensive study of our State, I submit copies to each of you gentlemen as solid preface to your consideration of strengthening rural Oklahoma.

The real answer to developing and revitalizing rural America is almost singular: more capital investment is needed. I know Senator Curtis spoke on this subject earlier in our journeys through the State.

Strong labor forces in Oklahoma, willing to work and adaptable through training, are available. Oklahomans have a strong commitment to education. Within the past few months meaningful new State money was injected into common schools and higher education. Oklahomans believe the cost of quality education is worth the necessary sacrifices. Oklahomans believe that education is a vital key to quality development of our people and of our properties.

Adequate land and rich natural resources—including an abundance of good water—are realities in this State.

Entrepreneurship—management abilities and inventiveness—are natural traits in a State just 64 years away from the pioneer setting of the territory.

Senator, you are talking about opportunities. We consider we are the last frontier of opportunities in the West.

Like emerging nations—Oklahoma and other inland States have the greatest need for investment capital. And if our Nation would achieve balanced growth—retrench from the crowd problems of burgeoning urban areas, then that investment must be made, and it must be made in the rural areas.

This is a time when suburban expansion is a glamorous investment, yet the urban scene, the center of the cities, are stark and unattractive. This is a time of the birth of new cities, yet existing small towns in many small areas are sick and dying.

This is a nation that believes in growth, yet we are without a definite growth policy, Senator, just as you so well stated.

We in Oklahoma have viewed growth as expansion and bigness. Growth should, however, include increasing quality as well. This should be structured into a national growth policy. Our directions must be planned and pursued, not left to whims and happenchance.

In the past, we have often abandoned what we considered valid old methods toward new ideas. This has sometimes been a mistake. Let me give you a concrete example—our railroads. The advent of air travel, innumerable automobiles and motor transportation have caused rails to diminish in importance. A massive allotment of American land space—laced with rails—has in this last 10-year period become largely idle.

Some 4 years ago, the Oklahoma Legislature allocated $15,000 for the study of the utilization of rails leading to Tulsa and Oklahoma City, our two largest urban areas, as a wagonwheel system for commuters into our urban areas.

The Department of Transportation was asked to assist. The legislature was told by DOT that there were no matching funds available to determine the feasibility of such a system. State representative Jim Townsend has championed this idea—virtually single-handed. The State study reflects that for an investment only in rolling stock and labor—the State could open 27 counties and some 1.6 million persons to commuter opportunities. Both the Federal Government and the railroads seem disinterested in this concept.

Such a rail system could serve the same 35,000 Oklahomans who daily commute to Oklahoma City and Tulsa. It also could relieve heavy traffic on freeways and other State roads. It would provide a new opening by expansion of bedroom communities in smaller towns.

Rail transportation in lesser developed regions should be studied, I feel, and encouraged by this subcommittee. That is one of the recommendations I make today. It is a national need if we are to spur and encourage rural development.

Another area of investment need is building and maintaining State and farm-to-market roads. The Federal highway trust fund program has been creative and has been helpful in interstate highway building and construction of secondary roads.

Upon assuming office last January, this administration identified 294 deathtraps across this State, which largely failed to qualify for any Federal matching funds. Because of our legislators', individually and collectively, courage in enacting a new revenue program, we started a drive to repair these deathtraps. This was almost exclusively an unmatched money situation, but the work was critically needed.

If the rural areas of America are to prosper, excellent transportation systems are vitally important. This includes imaginative use of rails and better quality roads and highways, particularly in the farm-to-market area. These are active building programs which a responsive government can enter, lead and produce within. But the real key to building the rural areas—that is investment capital.

Senator Humphrey's proposal to inject money into smalltown banks is an innovative and progressive program of action, and that is the key word, action.

I agree with Senator McClellan who said, and I quote from him:

> The availability of credit is one of the keys to rural revitalization. It can open the door of opportunity and the promise of the good life in America's heartland.

Through imaginative use of credit—technical advice and personal encouragement—our very fine Office of Economic Opportunity in Ohio this year will take 350 families off the welfare rolls and this year help them elevate their incomes above the poverty level.

Oklahoma's OEO is using the free enterprise system and $600,000 in poverty money to do this job. OEO is setting families up with hothouse tomato operations, catfish farms, charcoal kilns and rabbit-raising businesses to achieve this economic and humane goal.

Our experience with welfare is that most recipients contrary to some published reports, want off the rolls. They want the dignity of earning and producing. Editorial writers who deplore welfare could well learn some new words of condemnation from many of the families who are forced because of their situation to accept public assistance.

Oklahoma's OEO operation involves a self-liquidating loan from a local banker which is underwritten by the State agency. Although we are in the initial phases of this program, which is a one-on-one effort and comes one family at a time, we are extremely optimistic.

Forty-five of those tomato hothouses are now in operation, earning that family better than $5,000 a year in those operations. But with all the encouragement, comprehensive technical assistance, and marketing help, these families would be powerless without that initial loan.

Every underdeveloped State in the Nation is seeking new industry. Oklahoma is in constant hot pursuit of those interested in building new plants. That competition is stiff, gentlemen, as you well know.

Within the boundaries of Oklahoma, we are battling to strengthen existing business and to encourage our local people to start their own enterprises.

In 1963, Oklahoma created a trust system which allowed industry to move into our State and effectively avoid local ad valorem taxes for long periods. This has resulted in some cases in an undue burden for existing businesses in the support of local government. While we understand the need for tax incentives to attract new industry, this administration feels that a 10-year exemption is perhaps more reasonable and fair to those businesses already in existence.

The Federal Government, faced with the alternatives of rebuilding the fallen inner cities around established industry, may find additional tax incentives, as Senator Curtis mentioned last night, as an answer to encourage businesses to move into rural areas.

Your recommendation, Senator, to expand from $5 million to $10 million the industrial development bonds, would mean a tremendous amount to our State. Industrial development bonds at $10 million would have attracted six more industries in the last 12 months if we had had it. We lost on a competitive basis on that.

This would serve dually. It would alleviate urban congestion and provide development for rural regions. Congress, in its wisdom, can best devise such incentives. The concept is certainly embraced in Oklahoma.

For six administrations of our State government and under bipartisan leadership, Oklahoma has worked to attract new industry. In our own tenure, we have emphasized locations in rural areas when addressing prospective new businesses. Even in predominantly agricultural Oklahoma, the problem of excessive urban growth is a threat to two of our cities—Tulsa and Oklahoma City. Yet our smaller towns are shrinking, as you so ably stated in the statistics given, from outmigration.

Oklahoma's greatest leaders and many wondrous ideals have sprung from our small towns. We believe in the experience and spirit of small-town and farm life. We share Chairman Talmadge's views, which I quote, when he said:

> * * * the loss of the nation's small towns means a loss of balance with nature. It has such ecological balance because in small towns there is still an element of serenity, of neighborliness, and of closeness to the earth. In a small town one is able to enjoy the benefits of open spaces and the advantages of air and water that is relatively free of pollution.

Chairman Talmadge said your subcommittee is attempting to give Americans a real choice between living in urban congestion or in the better life of small-town America.

Your pursuit of this goal is spirited. Your determination is supported. Your appearance in Oklahoma rekindles our belief that Congress cares about rural America and supports our drive to rekindle its life and, most of all, cares about people as individuals.

Senator **Humphrey**. Thank you very much, Governor, for your statement, for your cooperation.

Governor, one of the phrases which we have used which I think will get some acceptance is, referring to what Senator Talmadge pointed out, freedom of residence, the right of people to have an honest, free choice of whether they want to live. Today they do not have that choice in many ways. They are compelled either by economics or technology to make choices that are not free.

You have mentioned here in your testimony, and I marked a couple of places where I thought you had something to offer of great value along with many others, you made several references to transportation and its importance to the future development of the State. One reference, of course, was to the use of the rail beds for commuter service into your metropolitan areas, which is a splendid suggestion, one that I am sure we will want to give some more attention to, and we will ask for some staff study on it.

You have also indicated the importance of transportation to the further development of the State.

Could you give us any indication of what studies you have made have revealed with respect to transportation rates charged by common carriers and the impact that those rates, rate structures, seem to have on either encouraging or discouraging development of industry, of jobs, in any part of your State?

Governor **Hall**. Yes, a tremendous impact. In fact, the visit that you made today to the machine works in Perry, one of the reasons that that is such an ideal location is its adjacentness to a highway in which movement by truck is possible. The rail beds that move there are excellent. And the future port development as the Arkansas begins to come into its own has made that one of the most competitive areas in the country for freight rates, which is by rail, by water or by truck. But that is directly related to the opportunity to move, ground transportationwise, from the point where the product is made to the distribution points.

We have found that we have lost industries in certain parts of this State because we could not guarantee ground transportation from the plant site to the areas of distribution. We think it is significant that the failure of farm-to-market areas many times has cost us industrial development, and we feel that we could furnish those statistics to you, Senator, and perhaps give you the benefit of what we found in our own rural development.

Senator HUMPHREY. I think it would be very helpful to us. You have a statewide airport system for landing strips that will take small jets as well as the propeller-driven planes. Do you find this of importance to your development structure?

Governor HALL. Yes. Our Aeronautics Commission has done an outstanding job on a bipartisan basis through the past three administrations. We have been able to effectively put an airport of substance in all but six of our 77 counties. There are only six counties now which do not have an airport capable of handling the type of transportation you are talking about. This is one of the needs that we have developed through the work of our Aeronautics Commission, and the Ozarks Regional Commission. In the eastern part of the State, Ozarks has helped underdeveloped cities improve their airport situations commercially and not just for pleasure.

Senator HUMPHREY. You see, we begin to put together the elements of a national growth policy when we start to talk about credit, availability of credit, transportation, availability of good transportation and communication, education, health services. These are elements in what we call a national growth policy.

Also, another element is planning, and I wonder, Governor, could you tell us as to whether this State has a program to encourage the creation of nonmetropolitan multicounty planning and development agencies or commissions?

Governor HALL. This is one of the things of which we are most proud. The Oklahoma legislature, two sessions ago, properly created the Community Affairs and Planning Division of our State government. That has come into full being this year with the plan of a comprehensive statewide program divided into 11 developmental districts in which the total aspects of economics, labor, education, vocational education, and other areas are included. Transportation and availability of future products also have been integrated into a plan which will be presented soon at the national level.

This plan has been in the development stage for the last several months. It was developed through local effort more than it was developed by a State agency imposing a plan upon the local district.

The local districts formed their own committees. Those committees made suggestions. Those suggestions have been reviewed by the Department and now, as a result of that mix, we will present our plan for the whole State.

Senator HUMPHREY. I would just like to call to your attention that some of the legislation that we proposed for lack of a better name, the rural development type of bank structure, relies a good deal upon these multicounty planning agencies for the proper use of credit and capital. It is a way to tie the financial resources that might be available in terms of public as well as private financing into a districtwide or regional or areawide plan for community development.

One of the—this will be my final question to you, Governor. The President has recommended the investment tax credit. It is a subject of some controversy. I do not hesitate to say that I have looked with some favor upon investment tax credit as a means of modernizing American industry, making it competitive and building jobs because jobs take investment.

There is a requirement under title 9 of the Agricultural Act as well as title 7 of the Housing Act for us to have a national growth policy, and under title 9 of the Agricultural Act there is encouragement of Government policies to encourage development in rural areas.

What would you think of having in the investment tax credit, whether it is 10 percent or 7.5 percent, 2 years, 3 years, whatever the duration of time, some extra little bonus or some directive that the investment tax credit go to those industries that diversify or in a sense decentralize their operations and put new plant, new equipment, into areas that you might call developing areas, the nonmetropolitan or the inner city area on the one hand and the rural development area on the other?

Governor Hall. Senator, I think that is a necessity. We are not going to be able to move to rural America and enjoy the life that we suggest in this type of testimony given today unless we have an incentive greater than what we have today. Because, as Senator Curtis and you said, where the jobs are; where the money is; is where the people have to go to work.

I would be in favor of giving the majority of that credit to those who will develop in rural America and I feel that whatever span of years it is, it ought to be an equal amount in each year. In other words, if it is 3 years, 5 percent a year or 7.5 percent if it is 2 years, but it must come. It does not have that capital, a hardheaded business approach to it will dictate that it will go where it is the most profitable and if that profit is made so it still remains in the city, we will not be able to affect our growth.

Senator Humphrey. I know there will be those that say this looks discriminatory, but my point in raising the question is simply this, that if you are going to have incentives for population movement, for economic growth, you have to establish those incentives. You cannot rely upon the good luck of accident of the accidental good luck.

This is what I referred to earlier. We have had incentives in the past for people who populate areas of our country. The 160 acres of land which my grandfather got when he came from Norway was an incentive. He did not stop in Brooklyn. He went to Minnehaha County, S. Dak., a long ways away from Oslo, but he came because it was 160 acres, and some of our great colleges and universities were established, like our own University of Minnesota, a land-grant college. This is a land-grant college?

Governor Hall. Yes, sir.

Senator Humphrey. This was a governmental program as a way to encourage migration. Otherwise we would have ended up with primarily the great colleges of the eastern seaboard but we started a great land-grant system to be able to entice people, encourage people to move, to establish homes, to build, open up the frontier, as a matter of national policy.

Now, I am driving hard to get the Government once again, without the Government doing everything, but to establish policies which are real magnets, incentives to get people to do things. I hope that some of the suggestions that you have made will bear the fruit elsewhere that they have here.

Senator Curtis?

Senator CURTIS. Just two or three questions, Governor. We are delighted to have your statement. It is very helpful.

What kind of vehicles would you suggest be used on these abandoned rail beds?

Governor HALL. We think that a rail system first would be the most economical, using the rolling stock that is not now being used because of the idleness of the use of rail facilities.

For example, our own passenger service in the State is almost nonexistent. We have a couple of lines going through now compared with 10 or 15 in years past.

We are talking about now urban commuters in the particular testimony that I gave.

Senator CURTIS. You probably follow a pattern of not having the railroads do it, but some new entity leasing the use of the lines.

Governor HALL. Yes, sir. We suggest that as an alternative. We feel that the concentrated effort to produce more money for mass transit urban activity is not the entire answer. We are led to believe nationally that that is the most serious transportation problem. We think it is just as serious that we move people back to the rural areas from the cities as to develop these mass tranit systems within the cities.

Senator CURTIS. One other thing—you touched on it. Is it not true that the competition to secure a branch plant or an extension of some kind of a national concern, that the competition is just terrific; is that right?

Governor HALL. Yes, sir. I have been over the country this past summer competing with other Governors who are trying to do the same thing we are trying to do.

Senator CURTIS. Well, somebody has tabulated it, and if word leaks out that here is a national company that is going to build a new plant someplace, there are close to 50 States that start out after it, with industrial commissions and Governors. Then there are probably several hundred local industrial development or area development groups that go after it, and then, in turn, quite a few individuals within the State.

I cannot remember the figures, but I think every time the word leaks out some concern is going to build, there are several hundred—I believe it is in the neighborhood of 700 or 800 people that descends on them. The result is, they have to shy away from it. They have to have a third party to look the sites over.

Does it not follow that the real hope for industrial development, for acquiring job-producing enterprises, would very often be found right in the community, developing some idea that they have right there? Is that not correct?

Governor HALL. Yes; either a natural resource that is present near the community facility, or an available labor activity or a particular item.

Senator CURTIS. Yes. To use the talents and the resources, the business expansion potential that is right there.

Governor HALL. Senator, there is one serious problem, though, in rural America. A community that does not have enough population to have a chamber of commerce budget finds it is very difficult for them to put on the "show" that attracts. It is difficult for small towns. to compete with large cities for industry.

Senator CURTIS. That is my point, that this competition in many instances is unfair to 99 percent of the participants.

Governor HALL. Right.

Senator CURTIS. And their hope lies in some course of action other than competing. Everybody else is competing, but some are looking around to see what they can do there better than any place in the world.

Governor HALL. Yes, sir.

Senator CURTIS. Now, much talk is made about credit. I realize the term "soft loans," is a relative term, but do you favor a program of Government soft loans to industrialize rural America?

Governor HALL. Yes, I do, as long as it is clear that the intent is a loan situation and not a grant to be put in competition with existing business. Most business people I have ever dealt with would rather take the opportunity to go as far as their ability will take them if they just had that first investment capital. That is where we run into trouble in the smaller communities. The bankers just do not think that those are bankable loans, and the soft loan that you are mentioning might not be bankable. Ordinarily, it is the kind that will develop many businesses that would provide rural jobs.

Senator CURTIS. That is all.

Senator HUMPHREY. Would you care to ask questions?

Mr. CAMP. No. You go right ahead. I will just listen.

Senator HUMPHEY. You may, if you wish to.

Mr. CAMP. I have only one question, Governor. How do you feel about tax exemptions?

Governor HALL. I think it is proper, and I would carry on with the previous six administrations who have felt we need tax exemptions for new industry.

As I said in the testimony, my only exception would be that I think it ought to have a 10-year limit. The reason is that every State that borders Oklahoma has an exemption that is not competitive with that. In other words, ours would be the most competitive. I think the 10 years is long enough. It will not take that much away from the local ad valorem base over the long period, but I think the 10-year exemption is necessary in order to be able to compete.

Senator HUMPHREY. Will you tell us, what was the overall cost of your transportation study? Do you have that figure at hand, Governor?

Governor HALL. You are going to be surprised. They tell me that if you do not count in-kind cost, actually it is less than $25,000.

Senator HUMPHREY. Less than $25,000. I think that is a very ingenious suggestion that you have made.

We have a situation at home where the railroads have abandoned so much track and not just passenger but actual freight, that a group of our businessmen are trying to take over a section of the track and by rolling stock to be able to transport their own goods. We are running into the problem of highways that are too small—that have too weak a roadbed for the large truck also. This is another problem. The so-called farm-to-market road that was constructed 25 years ago, it may have been repaired, black topped, what have you, but it just cannot take the 9-ton, 10-ton, 8-ton, 12-ton truck; and when we start to move large pieces of equipment, even our dairy farmers in our part of the country now run dairy tanks that carry anywhere from 8 to 10 tons of milk, and they try to put them on a 6-ton highway and the highway disintegrates, or what happens is the State patrol comes out and says no go. And we have been compelled to move fluid milk as much as 120 miles extra run to get on highway to get it into a market. That is neither good for the milk nor good for the dairy farmer.

Senator **Humphrey**. I was waiting to see if Senator Bellmon is coming, but I am afraid he is not. I understand you have to catch a plane to go to the Governors' conference.

Governor **Hall**. Yes, sir. We are going down, I might say, along with what you suggested today, as a member of the Rural and Urban Development Committee of the Governors' Conference. We will be meeting Sunday morning. Governor Preston Smith is chairman. We hope to take some of the things you have discussed into that meeting Sunday morning and perhaps add some meaning to that from the trip you have made here.

Senator **Humphrey**. Without asking your opinion on these matters now, I would hope you might bring up at the Governors' Conference the proposal for special revenue-sharing for rural development which has been advanced in the Congress. I think that is S. 1612 in the Senate, and our Rural Development Credit bill is S. 2223.

Governor **Hall**. That is on the agenda. I know that is on the agenda.

Senator **Humphrey**. Senator McClellan has legislation proposed along this line.

Senator Pearson of Kansas has legislation along this line.

Senator Talmadge, myself, and other members of this subcommittee have proposals. We are going to hold hearings to consummate some legislation, to complete some action.

We would welcome the considered judgment of the Governors. It will be very helpful if you will precipitate some conversation on that. I charge you with that.

Governor **Hall**. I would be happy to.

Senator **Humphrey**. I make your trip a little more difficult for you.

Thank you very much. Thank you for the excellent piece in National Geographic, and next time if you see this author, the Land of Ten Thousand Lakes, we could use a nice piece like that. [Laughter.]

Governor **Hall**. Thank you very much, Senator.

Senator **Humphrey**. Thank you very much. Bon voyage. [Applause.]

Our next witness is Dr. J. C. Evans. Dr. Evans is the vice president for extension, Oklahoma State University. We surely welcome his observations and thoughts on this subject matter.

Dr. Evans, thank you for giving us of your time.

STATEMENT OF DR. J. C. EVANS, VICE PRESIDENT FOR EXTENSION, OKLAHOMA STATE UNIVERSITY, STILLWATER, OKLA.

Dr. **Evans.** Thank you, Senator, Senator Curtis, Representative Happy Camp. We are delighted to have you here. We are most pleased that you chose Oklahoma, and particularly Oklahoma State University, to hold this hearing.

A copy of my paper is somewhere in your materials there. It should be in a folder similar to this one here if you want to follow along as I proceed.

Senator **Humphrey.** Dr. Evans, may I say we are very happy that we did choose Oklahoma State University, but with Henry Bellmon on the committee, may I assure you it was not only because of the qualities of the university but we really had no other choice. [Laughter.]

Dr. **Evans.** Now, we know he is perfectly objective about that.

Senator **Humphrey.** Yes, I know that.

Dr. **Evans.** I might say that you asked me to address myself to the place of a university in rural development. So my entire paper will be in this direction.

I might say also, Senator Humphrey, that you made a comment last night that I was particularly impressed with and I think falls on very sympathetic ears here in Oklahoma. This is that the Federal Government cannot do everything for everybody and, if it could, it should not, and I would say that a large proportion of Oklahomans would fully agree with the philosophy behind that statement. I compliment you for making it.

I would like to pass along a few observations as a result of my 20-some years experience working with and for and serving six different land grant universities. So I want to make some observations regarding the educational role of the university in rural development.

The first observation that I would make, and these are made in the light of making universities more efficient and more effective in helping to accomplish some of the goals that people have in rural development—the first observation, and I am going to stick quite closely to my script because I do want to stay in the time frame; the first observation: do your homework.

It seems to me that phonies can be spotted very quickly and with devastating results, both for the individual and for the institution involved.

To demonstrate the type of homework I am talking about, I would like to share with you several facts about population movements of the restless pioneers in Oklahoma. An understanding of these facts and in this detail is highly desirable before any useful start can be made in determining where to go from where we are. This same kind of intensive and studious examination of the facts is highly desirable about job opportunities, which Senator Curtis mentioned last night, about health, housing, government services, nongovernmental services, recreational facilities and programs, transportation, education, and several other areas of concern in rural development. I am not half as concerned about the accusation made about educators that we are afflicted with paralysis of analysis as I am about those who are afflicted with the disease I call "paralysis by promise" or those who attempt to get consensus by creating crises.

Now to demonstrate the need for very careful analysis, and I do this for two reasons: one, to indicate the nature, the character and the magnitude of Oklahoma's problem with regard to population and, second, to indicate the responsibilities that universities have in assembling and analyzing facts for local people to make decisions.

There are several interesting things about population shifts in Oklahoma. Since Oklahoma became the 46th State in the United States in 1907, the people of the State have been restless, relentlessly moving, primarily away from rural parts of the State and to more urban areas, either in or out of the State. For the most part they have been in search of either jobs or better jobs. In so doing they have left many evidences of their having been there and of having left.

Let's look at some of the evidences of these many moves. I was interested last night in which Senator Curtis made a very good point, I thought. This was that "people go where jobs are." I do not think there is any question about this, particularly of the age group of 20 to 35. It gets less so as the average age level increases.

The first point I would make about Oklahoma population is that there is great variation among Oklahoma counties in population density. It ranges all the way from 2.3 persons per square mile in Cimarron County to 747 per square mile in Oklahoma County, where Oklahoma City is located. That is a tremendous range of density.

The second point: Oklahoma is becoming more urban. I was interested in the comments Senator Bellmon made last night about Oklahoma being basically rural. It probably depends a little bit on how one defines what rural is.

For example, cities of 10,000 or more people continue to represent a larger and larger part of Oklahoma's population. In 1950, for example, 23 cities represented 36.9 percent of our population. In 1960, 26 cities represented 47.9 percent; 1970, 29 cities, 53.5 percent.

This is an interesting trend and I simply say that Oklahoma, despite the fact that much of its geography is rural, most of the people are living in cities and urban areas and this is a fact that many Oklahomans I think have either not recognized or perhaps not wanted to recognize. I think the figures now are something like 77 or 78 percent of all people in the State are living in towns and cities, even in an area that is a part of the Great Plains area, which I think is a kind of interesting fact.

One of the interesting facts also in talking about rural, is revealed by a quick look at the figures for Garfield County, this last census. They had 55,000 people; 44,000 of those are living in the city of Enid. This is considered to be a rural county, so I think it comes back to whatever one's definition is of rural.

Here is a county where 80 percent of the population in an agricultural area is living in one town in the county and I think that is an interesting fact that needs to be observed, and studied.

In 1970 Oklahoma City and Tulsa County had a combined population of 928,000 people, or 36 percent of our entire population. This exceeded the combined population of Oklahoma's 61 smallest counties which I think indicates part of the character of our problem also.

The third point: in every decade since 1910 Oklahoma's population has grown at a slower rate than the Nation's growth rate. For example, in that 60-year period we had a 54-percent increase in population, the Nation had 121.

The fourth point: Oklahoma's population represented a considerably smaller percent of the total U.S. population in 1970 than it did in 1910. In 1910 we had 1.8 percent of the Nation's population. In 1970 we had only 1.26 percent. So we have had a relative loss in population in relation to the Nation. This is about a 30-percent loss.

The next point: 49 of Oklahoma's 77 counties had fewer people recorded in the 1970 census than they had in the 1910 census. That is better than 60 percent of our counties have fewer people today than they had in 1910, which is only 3 years after the creation of statehood. I think that is a significant factor when we talk about rural development.

Looking further at some of these same counties, of the 38 counties that gained population in the last decade, 19 were a part of that 49 that had lost all through this decade, so we have had a turning point, fairly small, in most cases, 3, 4, 5 percent, but I think it does represent a turning point in rural Oklahoma.

I think there is a map attached to your publication. If you look at that map you can get an idea of where we have lost population during the 60-year period. It should be at the end of your paper.

Senator HUMPHREY. Yes; I have it right here.

Dr. EVANS. That is a fairly substantial loss picture, you see, but as I say, I think it is turning. By 1970 the largest percentage and absolute losses were recorded in the 42 counties that had from 10,000 to 19,000 people in 1910. Thirty-two of these 42 counties lost population, with 19 of them dropping below the 10,000 figure. That is fairly significant, I think, and you can look at the chart there and see that most of the counties that were in the 10,000 to 20,000 bracket in 1910 have dropped to the zero to 10,000 bracket, four or five have gone in the other direction, and there are explanations for this.

The seventh point: 17 of Oklahoma's counties lost population in five or more of the six decades of the past since 1910, and that is a substantial number of consecutive years of loss. Of the 13 counties which have gained in only one decade, in those six decades, four of them gained in 1910 to 1920 and nine gained from 1920 to 1930. This is primarily boomtowns caused by gas or oil discoveries or mineral deposits, and you get a large influx of population.

I was noticing, Senator Bellmon, your own home county, Noble County, has lost 32.8 percent of its population during this period of time and has lost in five of the six decades, and I think he is not unfamiliar with the character of the population changes in his own county.

I would like to skip the next three points and say only that I expose you gentlemen to these data in this detail simply to illustrate the point that universities are dedicated to a careful inspection of the facts as a first step in helping communities make decisions in order to make their community the kind of community in which people want to live and work and play. They need to know about their community and the general ballpark in which they have been operating.

I think the evidence, and Senator Bellmon I think mentioned some of the evidence, that you saw coming down on the bus: abandoned farmsteads, and many of those that have been abandoned are no longer even seeable. They are gone. The fields are there and the buildings are gone.

Within 25 miles of here I could show you a church building built in 1937 with a "For Sale" sign hanging on it. This struck me as somehow being significant and perhaps symbolic of the kind of problem that is facing rural communities at least in Oklahoma. You see school buildings vacated, gone, or being torn down. This is a very significant thing, it seems to me.

The second observation——

Senator CURTIS. Could I ask you one question on the population?

Dr. EVANS. Yes, sir.

Senator CURTIS. Have you made any study, not in reference to total population but in reference to heads of families?

Now, the reason for asking that is this: I travel through my State and I see every one of these small towns and cities growing immensely geographically and more and more new houses and they tell me they want new houses. I say, why is your population down? The answer is, many of those houses one person is living in, and in many of them just two people living there, and these are new houses, too, and seldom a house with more than four people living in it.

Now, it seems to me while these figures you have here are very valuable, do you have any that have taken that factor in, the reduction of the size of families?

Dr. EVANS. We have done some work on this, but I would say a fairly insignificant amount.

Senator CURTIS. It seems to me that a very helpful figure would be how many families, heads of families, are finding employment opportunities now as compared to periods in the past. Very definitely it is taking fewer people to produce our food, but, on the other hand, these communities have a great many occupations they did not have a few years ago.

Dr. EVANS. I think this is correct, but I think probably the massive losses we have had are perhaps saying to us, yes, there are more job opportunities in some of these but when you have a total loss like we are talking about here, this so overshadowed that we probably have not looked at that particular factor.

Senator CURTIS. Of course the size of families would be a factor throughout the United States even in those areas where there is a gain in population.

Dr. EVANS. Second observation. All land-grant universities, such as Oklahoma State University, are participating actively in the program called rural development. The extension components of the land-grant universities are taking the active lead, both in this State and in the United States.

I want to simply show you some evidence of this kind of activity and, Senator Humphrey, you have a packet right there, I think, and I have those numbered. I want to run down through these simply as visual aids.

On the top there is a report called the ECOP report, community resource development. This was published in the Federal Extension

Office, put together by a series of representatives from States in which it does a very good job of being a good tool for us to use in all the 50 States.

First, 2 years ago the Secretary of Agriculture asked the directors of extension in each of the 50 States to organize a USDA Rural Development Committee. This has been done in Oklahoma, and has been done in all 50 States—I would simply say extension services across the country have been extremely active in this. Most of the directors, including myself, are currently serving as chairmen of these committees. This indicates the university's interest in rural development.

Second, within Oklahoma, we have held a series of conferences here over the past several years and, Senator Humphrey, you have a program here, I think, National Manpower Conference we held here that dealt with the problem of the rural-urban population shift, a national problem.

A couple of years ago we had a conference of the American Country Life Association. If you look at the title of the cover of this publication, it says "Rural American, Graveyard, Holding Pen, or Garden of Eden? Can you Make a Difference?"

This comes back to the point you made last night, Senator Humphrey, regarding the participation of local people. This was directed at local people. We had some 500 participants in this room talking about that subject, and that raises some rather interesting questions.

Is it in fact a graveyard or simply a holding pen, or does it really represent a future opportunity in some county that has lost 75 percent of its people in the last 50 years?

We are doing a lot of work with regard to organization of local community development councils. You have a publication here called Sequoyah County. This is one illustration of simply organizing locally. We worked closely with Governor Hall on this and many other agencies and organizations.

Next point. Here is a copy of a program. The Community Development Society met in this room, in this building, a couple of months ago. Dr. George Abshier, who is on my staff, a very able person on my staff, served as chairman of this group the past year. This is a newly formed organization which has some 500 members already.

Incidentally, to indicate further his and our interest in this, he was asked to serve as part of the board of directors with the newly formed coalition for this rural affairs with which you met the other day.

Senator HUMPHREY. Yes, rural coalition.

Dr. EVANS. Yes, and this indicates further our interest at OSU in this sort of thing.

Next observation: We have developed what we called a series of fact sheets and there are ten of them listed in your materials. These are simply one- or two-page sheets that deal with various aspects of the community development. We worked with and distributed thousands of copies of these as part of our extension effort.

We devoted our entire annual extension conference a year ago with some 300 of our staff members to "you and your community," and this indicates further interest, I think. We are also one of the five pilot projects in the United States under the Extension Service in USDA trying out some special ideas in certain areas of the State.

I bring these to you only to indicate the land-grant universities have a tremendous investment and interest in rural development and are trying desperately to make some useful contributions.

Third observation: Academic jargon frequently amuses, confuses, and irritates the practitioners in any field. I see you smiling, so I assume you agree with this, so attempts to define terms clearly and concisely and to develop understanding and some level of consensus among education practitioners are worthwhile. Those of us who are in extension consider ourselves pretty much practitioners. This does not mean we do not agree, understand, or contribute to the development of theory, but when we are working face-to-face across the table with local people, we have to be able to communicate with them. You cannot do it on $75 words, as I think you indicated perhaps last night.

I simply list four definitions that appear in this nationally distributed, nationally developed publication which has become kind of a byword to us in community development, and I will not pursue that any further except to say that is our attempt to get some commonality in language so we can communicate with one another among the 50 States.

Fourth observation: No organization or agency has now or is likely in the future, near or far, to have a monopoly or even most of the know-how in rural development, despite what some people say. Literally hundreds of institutions in society have splendid opportunities to make a useful contribution to a developing rural America. We in Oklahoma enjoy an excellent working relationship with the Governor, both with Governor Hall as we did with the previous Governor, and his several department heads, many Federal agencies, and hundreds of other organizations.

I would like simply to offer a reminder to other universities that universities represent only one type of institution among the hundreds which can participate in this process productively. Sometimes we forget this.

Governor Hall mentioned the Office of Community Affairs and Planning. We helped organize some of the multicounty districts several years ago when we were involved in this and are delighted to have an opportunity to have such a partnership relationship with our Governor.

Next observation: It is possible, perhaps even probable, to hear people in high-level positions in various institutions in society expounding crystal-clear nonsense about rural development and its component parts.

Next observation: "Rural development as an aggressively wanted communitywide action program cannot start unless local people want it, and it cannot succeed unless local leaders aggressively promote it. If a community lacks leadership, if it lacks local concern, if it is not convinced that it should become a better place to live, then perhaps it shouldn't."

That is a direct quotation from the publication New Life in the Country, with which I am sure you are familiar. I wholly subscribe to that philosophy. It is not for us as part of a university to tell the people in a community which way they ought to go. We can help them assemble the facts, to really study and identify accurately what those problems are. They need to make the decision. We help them sort out the alternatives and figure we do not know what the best alternatives are for them.

As a part of the same idea, a statement I wrote several years ago seems relevant and apropos:

> In a political democracy, it is true that people demand to be consulted and exercise the right to pass judgment, but they do expect to be led by the leaders of the institutions in society.

Leadership for University Extension personnel here is earned by the development of factual material, assisting local people to analyze what it means to them, and by helping them arrive at a decision on a course of action where they want to go.

Next observation: A responsible risktaking posture is an absolute must in terms of earning a viable leadership position.

Universities generally do not have a sterling track record in terms of taking risks, especially in public affairs types of issues, but recent improvements are encouraging and increasingly evident.

The philosophy expressed with our staff here is, and one has to be careful how he exercises this, that if an idea or a program has a 51-percent chance of succeeding, try it, and that is a fairly long gamble sometimes.

Observation No. 11: Developing a healthy respect for the ideas and decisions of local people is a wise practice for those engaged in rural development work, and it is not easy when you know they are making a mistake, or are they? Apathy, negative attitudes, low levels of understanding, and such other factors are part of what one often faces as he works with community groups.

I am usually comforted by the fact that I learn at least as much from my mistakes as I do from my successes. I am also reminded by a poem written several years ago by a wise black man who served on the faculty of Langston University, the 1890 land-grant institution located here, in Oklahoma. Incidentally, we have excellent working relationships with them. As you know, we are now developing mutual programs in both extension and research through the USDA. The idea he had was this, and it makes a lot of sense:

> There is nothing important in this world except man. There is nothing important about man except his mind, and there is nothing important about man's mind except the ideas which emerge from it.

Those of us associated with universities, as you know, Senator Humphrey, those of us in extension, are working with ideas and with people trying to share ideas with them, trying to get ideas from them.

Observation No. 12. The opportunity to succeed, and perhaps especially in this field, carries with it also the opportunity to fail. Not infrequently the process of dicovery is more useful and more important than the discovery itself.

Observation No. 13. Be a volunteer—do not sit demurely or aristocratically on the sidelines waiting to be asked or begged to get into the game. The need is here, the time is now, and the player is you.

I would like very much to see many more universities involved in rural development. The land-grant universities are but many others have a contribution to make, as I think you have a man to testify here shortly from the University of Oklahoma. They have many contributions to make, particularly in the field of medicine, law, and subject matter areas of this character.

Finally, I would say getting understanding of some of these observations as well as the myriad of facts about a given community or a group of communities is a key responsibility of the university, as it proceeds to help develop more fully the rural part of any State. Again, this in no way diminished the contributions or opportunities of hundreds of other institutions in society—I want to divert here for a moment—the Agriculture Conservation and Stabilization, Soil Conservation Service, the Farmers Home Administration, USDA. We have worked very closely with all of them and several others during the years and formed many productive relationships as a result of working together. I have said nothing about them because my assignment was to deal with the university, but I want to give credit to not only them, but many others who are doing a splendid job.

By your request, I simply focused on the university and only on a small part of that. Time did not permit otherwise.

Gentlemen of the Senate, I hope my remarks have been helpful and useful to you and I thank you very much for the opportunity to appear before you.

(Note. The exhibits supplied by Dr. Evans are on file with the subcommittee.)

Senator **Humphrey**. We want to thank you very much for your very helpful testimony.

This poetry, that is Langston Hughes, it is not?

Dr. **Evans**. I simply cannot recall the man's name. It was several years ago that I heard him make it and I just simply do not recall his name.

Senator **Humphrey**. The great black poet.

You mentioned you are the chairman of the State USDA rural development committee here in Oklahoma, is that correct?

Dr. **Evans**. Yes, sir.

Senator **Humphrey**. After listening to your testimony, which has been very helpful and precise, I might add, what specifically do these State committees do? Are they a somewhat familiar function to what Secretary Freeman had, committees that he called TAP's, Technical Assistance Panels, I believe, Technical Action Panels?

Dr. **Evans**. Right.

Senator **Humphrey**. What does your State committee—how does it operate?

Dr. **Evans**. Our State committee meets monthly. We have developed county development USDA committees and we are in the process of developing the district committees. The county committees I think are the key at this time. The State committees try to provide leadership. The county committees are working with local people, and I showed you Sequoyah County, trying to identify local leadership, trying to help that leadership go through the process of analyzing and really deciding where they want to go. If that group wants some help from the USDA agencies, we try to provide it.

Dr. **Evans**. If they in fact want help from other agencies or do not know where to get help, we try to find that help and whatever agency is involved, State or Federal agency or anything else.

We frequently are able to bring to that community other agencies about which they do not know. This is a far more serious problem in the rural part, I am sure, in your State and ours than the urban. They simply do not have the public officials that have the time and money, and so forth.

So we try very hard to get resources, to help them do the analysis and then, once they decide where they want to go, to get the resources to get there, whether it is, you know, technical help or whatever it is. We try to put them in touch with the right institutions.

Senator HUMPHREY. Who is on that State Rural Development Committee?

Dr. EVANS. We have decided to keep ourselves strictly a USDA Committee. This includes the Soil Conservation Service, Farmers Home Administration. ASCS, Extension, Economic Research Service, REA, the Forest Service, and the Agricultural Experiment Station.

Senator HUMPHREY. And when you break that down to the county level, how does it work there?

Dr. EVANS. With regard to the county, Farmers Home Administration, Soil Conservation, ASCS and the Extension are the ones that have field offices in the counties. In some situations in this State, the Forest Service has, but not generally by counties. These are the ones that are doing most of the work locally because they are simply there.

Senator HUMPHREY. Do you find the REA's that cut across all the different farm groups helpful in rural community development, rural community planning?

Dr. EVANS. Yes. In Oklahoma the REA's have been active and continue to be active and we enjoy a fine working relationship with them and they make good contributions.

Senator HUMPHREY. I would think so. So many of these Government programs—we talked about it before—when I was Vice President I served as the contact between the Executive branch of Government and local governments. We would have these mayors come in. I had beter than 50 meetings with mayors across the country. They would come in—they did not know about the programs. I used to say the Federal Government is like a supermarket with the lights turned off and no labels on the products, and you put a blind man inside to try and go shopping. The poor souls just did not know what to look for.

If you come down there from Chicago or Minneapolis or St. Louis or somewhere, you have a professional staff, they know the business and how to get at it.

Part of the problem in local areas is they do not have that professional staff, do not know about these programs. Your committee identifies the programs for them, shows them how they operate? Is that part of their function?

Dr. EVANS. That is part of it. I would say the first order of business, and I want to make a point here, is really helping them decide what they want to do and what they have a possibility of doing.

Senator HUMPHREY. And what resources the Federal Government has to offer?

Dr. EVANS. Then if they decide to go in this direction, and a Federal Government agency can help, and they do not know about this, we try to get them in contact rather than trying to peddle a program to them. There is a very key point here I think and this is that those local people need to decide themselves where to go. They are shopping for help on something they want to do rather than shopping for programs available.

There is a significant difference, it seems to me, in our democracy.

Senator **Humphrey.** I find an awful lot of my time as a Senator is now spent when I am back home—I was back home all during the month of August and I had community after community leader come to me to ask, can we not do this? We want to do this. Is there anything in the Government that can help us to do this?

I have been around this Government a long time and I must confess it is darn hard to find out what we can do and what we cannot do. I think Parker Game Co. could make a fortune in figuring out what is hidden in the Government that you do not know about, trying to keep it clean but I think it could be a very interesting thing.

Does the university provide any direct technical or professional assistance to rural communities?

Now, you have indicated here a number of things that you do but, for example, if a community wanted to engage upon a particular type of rehabilitation program, let's say, of its main street or of its parks or of its transportation or whatever it may be, do you provide out of the university actual technical assistance or do you just come in and visit with them?

Dr. **Evans.** Yes and no. I would say if—I may have missed one point in here and I think probably I did skip over one page. When I talked about—here on page 8 of my testimony, and I apparently skipped completely over this page, the point you raise here has to do with observation No. 5.

I say there is no such person as "A" or "The" community development worker, if that term is meant to represent all who assist leaders of communities to make their communities a better place to live, and I talk about two kinds of counselors.

One I call the "resident counselor." This is the field staff person who lives with local people, goes to church with them, shops in the same places. He earns their respect. He has close rapport with them. He is more likely to be the generalist who can engage in the process of analysis, et cetera.

Then, there is what I call the "yo-yo counselor," no derogatory inflection here. He is the subject matter person who may be an expert in some phase of engineering or some phase of economics. He does not know much about the process. He does not know those local people. They have a problem and they need his technical help. We would then invite him into that community at their request. The community invites him in. He shares his technical know-how with that community if that is what they want to know about.

Senator **Humphrey.** These are people that can come right from this university.

Dr. **Evans.** Yes, and we are not the only university.

Senator **Humphrey.** No, but you mentioned, for example, the need of more universities that are not land-grant colleges to move into this field.

Dr. **Evans**. Yes, sir.

Senator **Humphrey**. I surely want to say that is such a very necessary development.

Well, Senator Curtis?

I want to thank you very much, Dr. Evans, for helpful testimony.

Senator **Curtis**. Dr. Evans, should this committee encourage every village and small town in the country in the hope that they might have a very substantial growth possibility?

Dr. **Evans**. I do not think so.

Senator **Curtis**. I am glad to hear you say that because certainly I think one of the cruelest things to be done and, of course, it would be done unintentionally, is to hold out that hope.

We have in my State, for instance, some counties that just happen to be situated where the principal town is the county seat and they have a capacity there to do certain things. I can think of a few counties where they may have, say, four towns, all of which are under a thousand.

What would you suggest, they they help each other or have a county or regional effort, or what do you think the solution is?

Dr. **Evans**. I will tell you what we do in Oklahoma, and I do not know whether it would work in Nebraska or not, but our feeling is that, you know, if a project of some kind can be handled by that community, there is not much point in getting other communities involved, but if you get involved in one that takes a population base of 10,000 people, a situation like you are talking about, you better try to assemble in some fashion 10,000 people and get them to see that it takes a population base like that to support, let's say, a hospital, assuming that figure is anywhere near in the ball park.

There is no point in each community trying to provide its own hospital if it has no chance of doing anything of significance and of the kind that people want and need today. You say it is wrong, it is very wrong. We do not engage in it. We simply try to get those communities to recognize what are the minimal requirements to succeed with a school system or a hospital system or whatever it is.

Senator **Curtis**. By the same token, no one in government should every say to any one of them, you do not have the capacity to grow because something might happen there tomorrow, with the genious that is right in the community.

Dr. **Evans**. Right. This is entirely possible.

I would simply say, for example, we have a number of counties I pointed out that have lost 50, 60, 70 percent of their population, down to 4, 5, 6,000 now. I think there are some fundamental questions to be raised here and these are not popular questions to be raised. I think we as educators and university people need to raise those, to get people to thinking about it.

Senator **Curtis**. I am not quite ready to buy the concept of growth centers because all that is is a little urban area that loses all of the richness of the rural area.

A thought just came to me here. Could I throw out a suggestion, not to OSU alone, but to land-grant colleges and educators all over the land?

Dr. Evans. Yes, indeed.

Senator Curtis. We live in a day of commuting. People commute 20, 30, 40, 50 miles to work. It seems to me that our educators could make a great contribution if a professor would select a small community in which to live and he moves outside of the college community or university community, and he selects one of those and he lives there a few years and he comes up with the idea what to do after he is a citizen of that town. I am not putting anybody on the spot for an answer, but it just seems to me that it would have great potential.

Dr. Evans. There is some of that being done now, as I am sure you know. I would say in terms of our State, for example, we have long distances here. We have 560-some communities. A fairly small percent of them are within a reasonable distance of a higher educational institution. This may represent an opportunity. Several OSU faculty members live in small towns around Stillwater participating as citizens. There is a temptation to go beyond participating as a citizen once in a while.

I think you understand what I am saying.

Senator Humphrey, I would like to make one point about your comment whether we send technical experts to communities. I said we did and we do. This takes resources and many institutions have never had an opportunity to have resources for anything other than classroom teaching and, perhaps, some research.

Now, if we are dead serious about working with communities, somebody has to provide the resources to employ the people to do this. The land-grant institutions have been especially favored in this versus other State universities, and I would certainly encourage this committee to support those efforts in Congress better than they have been supporting them to provide the institutions the wherewithal to employ people to do this instead of stealing time and talent from the classroom intruction staff and the research staff to do a little bit here and a little bit there.

If you are going to do a job, you have to support it and I would hope that you, sir, would support that kind of thing. Many universities would like to participate if they could.

Senator Humphrey. This is some of the commentary that I wanted to elicit from you.

Dr. Evans. Yes, sir.

Senator Humphrey. It is one thing—to say that a university or college ought to offer technical assistance is one thing and to see how it can do it and still do its teaching job with its student body is another.

Land-grant colleges, as you have indicated, are equipped by unique arrangements to do this.

I also think that colleges and universities can learn an awful lot through their faculty and their junior faculty members and teaching assistants, and so forth, by this kind of participation.

To follow up on what Senator Curtis said, I find at home in my State a wonderful development taking place. I was commenting to the Senators on the way over here.

We have in Minnesota the 3–M Co.; Minnesota Mining, for example, has decentralized a great deal. Likewise, Control Data has decentralized a great deal, and IBM, and they are out here in small towns and all at once here is a little town like Maple Plain, Minn., a very small town, sort of a wide place in the road, maybe 800 or 900 people. All at once it has two or three Ph. D.'s living out there. There is a man who is married to a woman that is a college graduate that was possibly trained in music or the dramatic arts, and the next thing you know, this couple has organized in the community—here is the leadership factor again—a cultural group, a drama group.

I have participated this year as Senator just visiting in a half-dozen communities that have put on extraordinary theatrical, musical, dramatic performances, remarkable, and you know, I just stand there and hear these magnificent voices which you know, you can understand immediately, are well-trained. These are not accidents. And you say, well, where did this—how did this happen?

I have been living around Minnesota a long time, and I go up and meet with them afterwards and I say, well—I remember one young lady who said, "I am from Ohio State University. I got my master's degree there in music. I went to Juilliard School of Music."

I said, "What are you doing out here?"

She said, "My husband is with such-and-such company" and she said "I decided I wanted to do something out here."

So you get this leadership factor. This is what happens nowadays with modern industry.

Look what happened to Huntsville, Ala. A sleepy little town of 20,000 people became a cultural center, an economic center, great trade and industrial center, in less than 30 years simply because of that Government contract. George Marshall Space Center, 170 Ph. D.'s and their families moved there.

I do not happen to thing that Ph. D.'s all make for a good community, but they do not hurt. They help. [Laughter.]

I just thought I would clarify that.

Dr. Evans. If that applies, I think maybe I had better leave.

Senator Humphrey. They knew I only had a master's degree.

Henry?

Senator Bellmon. Thanks, Senator, I want to ask a couple of questions of Dr. Evans.

There are a couple of things about the present structure of the USDA and about the efforts of universities to help in rural development that sort of bother me. I wonder if Dr. Evans knows how many USDA offices there are in the State of Oklahoma? Have you ever figured it out?

Dr. Evans. I have not figured it out.

Senator Bellmon. Do you know of any of these offices that are really able to cope with the problem of rural development?

Dr. Evans. Within the USDA Office itself?

Senator Bellmon. Yes.

Dr. Evans. No, sir; and I want to reemphasize this point. The USDA agencies in total only are a minor part of the contributions needed for rural development.

Senator Bellmon. But are they organized toward rural development?

My point is this: We have thousands of people in this State working for the USDA, none of them working on rural development as a total concept in my judgment.

Now, do you agree with that or not?

Dr. EVANS. I think this is generally true and I think there is a good explanation for it, not to say that it ought to continue. Many of our own staff, for example, have been trained in animal science, in agronomy, engineering, et cetera. They have had little or no training in working with people to develop leadership. They have been talking about technology. Many of them have not had the experience within sociology, anthropology, the political sciences, the kind of backgrounds you need to make your best contribution in working with groups of local leaders. They were specialized in specific fields when they went to school and have worked at that most of their lives and you cannot turn persons like these around easily or quickly.

I mentioned in my testimony that we devoted our entire annual conference to "You and the community." This was a drop in the bucket. This did not train our people to do this job well. I am not saying we ought to continue that, Senator, but I am saying that probably explains why we are where we are.

Senator BELLMON. The point is that in the past I think we have had a very narrow concept. We wanted someone to go out and help the farmer with a sick hen or sick hog or something like that, but the problem I think we are beginning to realize is that there is a very close relationship between agriculture and rural development, and we have been neglecting that whole phase of our responsibility.

I think this gets right home to your responsibility. Oklahoma State University trains all extension agents for the State and, of course, for other States. Do you, as a part of their training, give them any classes, any training, in rural development or leadership?

Dr. EVANS. Some of our own staff we have in in-service training. I want to go back a second to the statement you just made, that we train our own extension agents. We employ graduates of this institution. They may or may not know very much about extension. They learn about extension after they go to work for it.

Senator BELLMON. But does the university train them in community leadership?

Dr. EVANS. We have some courses. Some institutions have degree programs in community development. The one from which I came to Oklahoma has an excellent program. We do not have one here. We are discussing it.

Senator BELLMON. Well, does the Congress provide any support for this kind of training?

Dr. EVANS. Nothing of any substantial consequence.

Senator BELLMON. So here may be one of the places where we are falling down.

Dr. EVANS. There is a great need for this.

I would also say that probably we do not need more than six or eight or 10 institutions doing this. We do not need 50 land-grant institutions doing this. There are three or four or five now doing it and doing an excellent job. We need a few more.

I would just as soon employ graduates of the Michigan State University which does have a graduate program in the area as I would our own graduates.

Senator BELLMON. At the present time, what do you consider the responsibility of your extension agents to be, really?

Dr. Evans. In terms of rural development?

Senator Bellmon. Well, if you were to have a new class of extension agents and you were going to make more or less their commencement address, what kind of a charge would you give them?

Dr. Evans. I would say the charge has been the same, and this is a generality, as it has been since we started nearly 60 years ago. Our single job in extension is helping people to learn more about some topic of their choice. They tell us what they want to learn or some area they want to know more about. We attempt to develop educational programs to help them learn that.

Senator Bellmon. Well, do you feel that the extension service could, and perhaps should, become more oriented toward rural development?

Dr. Evans. I do not think there is any question about it and all of our actions in the last couple of years have said that.

Senator Bellmon. Do you have any suggestions as to what the Congress can do to help you assume this new responsibilty?

Dr. Evans. Yes, sir. I think there are a couple of things and I almost hesitate to come back to this point because it involves money and everybody wants more money, and they say that is all I need to solve my problems, but I simply say we face a very substantial size problem in Oklahoma, I am sure in Minnesota, and I know your people up there very well, with a staff that has been trained principally in agriculture or home economics.

To do the kind of thing we are talking about in rural development, they have to be retrained and this is not a 1 week short course. This is a substantial educational job.

Second, if we are going to try to employ people from political science or sociology or somewhere else, who are probably better qualified to work in the organization phases and leadership phases than somebody trained in agronomy, for example, which I think is your field, we have to have resources.

Senator Bellmon. Let's say it is possible for an agronomist to learn politics, too. [Laughter.]

Dr. Evans. I cannot argue this point, but I would say here that in order for us to employ people, we have one or two choices, or some mix of these.

No. 1, we would have to release some of our present staff. This would obviously mean releasing people to get the money to employ these other kinds of people. This would mean releasing people from animal science, agronomy, home economics, et cetera.

There are several people in this audience that might object pretty vigorously if we chose that route to get more community development personnel.

The second choice is to find some way to get additional resources to employ those people. Last year the Congress cut a $10-million suggested appropriation out of the President's budget to zero. This year they found a way to put in $1 million for 50 States.

Senator Humphrey. In what field is that?

Dr. Evans. In community development. We have received $19,000 or some figure like that. This is not enough to employ and support even one person. How are we going to make any progress with any speed with that kind of money?

It seems to me these two options or some mix of these two is what we are talking about. If Congress wants to help us, that is one way to do it.

Senator **Bellmon**. It is your feeling that perhaps the traditional responsibility, traditional services of the Extension Service, have perhaps changed now and that rather than create some new agency to come in and provide community development leadership training or services, that with the proper resource, an Extension Service could assume this role?

Dr. **Evans**. Extension would be anxious to do so but I want to make one point clear and that is this. They have changed by addition. I think we do not want in any way to deemphasize our service of long standing to commercial agriculture or to agriculture generally. We have these new dimensions which we were not concerned about 20 years ago and I would not want to be a party to suggesting we stop our work with agriculture or to reduce our work with 4-H youth in order to get the resources to do the other. So, it is changing in the sense that we have added this new kind of concept and responsibility.

Senator **Bellmon**. Mr. Chairman, just one additional question or comment. We are going to hear in a moment from a representative of the Weyerhaeuser Co., a company that has come into southeastern Oklahoma making a major investment. I am a little curious, if Dr. Evans would like to comment, maybe Dr. Brown a little later, whether the Extension Service or university has been able to help this major investor in coping with some of the community problems that have come as a result of the major influx of people that their investment has brought.

Dr. **Evans**. Well, I suppose it would be rather immodest if I said yes, we have been able to help but I think we have.

For example, a couple of months ago our State USDA Committee was down there as the guest of Weyerhaeuser, touring some of the communities in that area, listening to them talk to us about the kinds of problems they face.

For example, one community we are in that is directly affected by Weyerhaeuser, said they had not built a school room in 25 years. This past year they built 12 new ones and before they opened this fall they needed three more.

Now, that is characteristic of what happens when a major company like that moves into a community.

Now, you can say what could we do or what should we have done? I suspect we should have been active earlier in the process to help not only that community but the one right next to it and we detected a very distinct difference in feeling. One of those communities was delighted to have that company there. The other was not sure they liked the idea at all. They were both facing major disruptions. Why those two different attitudes I do not know but I think we could have been in there earlier helping those people to see what it meant to them in terms of taxes and roads and sewer systems and educational facilities, et cetera. We were not in there early enough. We hope to be in early enough on others.

Senator BELLMON. It seems to me that the Weyerhaeuser experience and the experience of those communities is a kind of a classic example of what this committee hopes is going to happen nationwide. We are hoping to get this kind of development. And yet I am of the opinion that when it comes we are not really ready for it and a lot of problems arise that should not arise.

Dr. EVANS. I think some of them could have been avoided.

Senator BELLMON. I believe so, too, and I am curious to know if the Congress perhaps is negligent in failing to give the land-grant colleges and other education institutions the kind of aid you may need to help cope with those kinds of situations when they arise.

Dr. EVANS. I am not sure Congress has really detected the need for this yet. I think it is probably just as important, perhaps more important, to prepare people for what happens as it is to prepare a site to build a building.

Senator BELLMON. Who should do this?

Dr. EVANS. Now, as far as I am concerned, we as a land-grant institution, as an Extension Service, who have lived and worked with these people, are in an excellent position to help them learn what it is going to mean.

Senator BELLMON. Well, if you could design a means of coping with this kind of a problem, what would you want? Would you want a fund of money available to hire additional staff to go into McCurtain County and lay the groundwork for this kind of change?

What would you like to be able to do?

Dr. EVANS. I would like to be able to have enough staff of technical experts here at Stillwater and enough field staff, probably working on a multicounty basis, to be able to relate to people in the proper sequence at the proper time.

Right now we have three community resource development agents in this whole State. They are working about 10, 12, 15 counties, something of this order. We have a few people around here that we steal a little bit of time from because their major assignment is teaching and research. We need some more people that are available, being paid to do that kind of work, who do well at it. We simply need more horses to do both jobs.

As I say, the resident counselor and the yo-yo counselor.

Senator BELLMON. That is all, Mr. Chairman.

Senator CURTIS (presiding). We thank you very much, Dr. Evans. [Applause.]

(The appendix to Dr. Evans' statement follows:)

TABLE L—POPULATION DENSITY[1]: PEOPLE PER SQUARE MILE

[Arrayed from Smallest to Largest]

Number and county	People per square mile
1. Cimarron	2.3
2. Beaver	3.5
3. Roger Mills	4.0
4. Ellis	4.2
5. Harper	5.0
6. Dewey	5.8
7. Pushmataha	6.6
8. Grant	7.1
9. Major	8.0
10. Texas	8.0
11. Alfalfa	8.3
12. Jefferson	9.4
13. Woods	9.4
14. Harmon	9.7
15. Coal	10.5
16. Cotton	10.9
17. Atoka	11.3
18. Love	11.6
19. Latimer	11.7
20. Washita	12.0
21. Kiowa	12.1
22. Johnston	12.4
23. Greer	12.5
24. Woodward	12.6
25. Blaine	12.9
26. Osage	13.0
27. Noble	13.5
28. Kingfisher	14.4
29. Tillman	15.0
30. McCurtain	15.5
31. Haskell	15.6
32. Hughes	16.3
33. Okfuskee	16.7
34. Nowata	16.9
35. McIntosh	17.4
36. Beckham	17.5
37. Pawnee	19.2
38. Craig	19.3
39. Choctaw	19.6
40. Lincoln	20.0
41. LeFlore	20.5
42. Marshall	21.3
43. Custer	22.8
44. Caddo	22.9
45. Delaware	24.8
46. Murray	24.9
47. McClain	25.3
48. Logan	26.3
49 Adair	26.6
50. Grady	26.9
51. Pittsburg	27.6
52. Bryan	28.7
53. Garvin	30.6
54. Cherokee	30.7
55. Sequoyah	33.5
56. Mayes	34.5
57. Canadian	36.4
58. Pontotoc	38.8
59. Wagoner	39.4
60. Jackson	36.6
61. Rogers	39.9
62. Seminole	40.0
63. Stephens	40.3
64. Carter	45.1
65. Creek	47.1
66. Okmulgee	50.5
67. Kay	51.7
68. Garfield	53.5
69. Pottawatomie	54.1
70. Ottawa	64.6
71. Muskogee	72.6
72. Payne	73.2
73. Washington	99.5
74. Comanche	99.8
75. Cleveland	149.6
76. Tulsa	700.5
77. Oklahoma	747.2
State	37.2

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[1] Bureau of Census data for 1970.

TABLE II.—POPULATION STATISTICS IN OKLAHOMA CITIES OF 10,000 AND OVER, 1950, 1960, AND 1970 [1]

[Arrayed from largest to smallest in 1950]

City	1950		1960		1970	
	Population	Rank	Population	Rank	Population	Rank
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Oklahoma City	243, 504	1	324, 253	1	366, 481	1
Tulsa	182, 740	2	261, 685	2	331, 638	2
Muskogee	37, 289	3	38, 059	5	37, 331	7
Enid	36, 017	4	38, 859	4	44, 008	6
Lawton	34, 757	5	61, 697	3	74, 470	3
Norman	27, 006	6	33, 412	7	52, 117	4
Shawnee	22, 948	7	24, 326	10	25, 075	12
Stillwater	20, 238	8	23, 965	11	31, 126	8
Ponca City	20, 180	9	24, 411	9	25, 940	11
Bartlesville	19, 228	10	27, 893	8	29, 683	9
Okmulgee	18, 317	11	15, 951	16	15, 180	20
Ardmore	17, 890	12	20, 184	13	20, 881	15
McAlester	17, 878	13	17, 419	15	18, 802	17
Ada	15, 995	14	14, 347	18	14, 859	22
Chickasha	15, 842	15	14, 866	17	14, 194	24
Duncan	15, 325	16	20, 009	14	19, 718	16
Sapulpa	13, 031	17	14, 282	19	15, 159	21
Seminole	11, 863	18	11, 464	24	7, 878	(2)
Miami	11, 801	19	12, 869	21	13, 880	25
El Reno	10, 991	20	11, 015	25	14, 510	23
Durant	10, 541	21	10, 467	26	11, 118	29
Midwest City	10, 166	22	36, 058	6	48, 114	5
Guthrie	10, 113	23	9, 502	(3)	9, 575	(3)
Total	823, 660	23				23
Altus	9, 735	(4)	21, 225	[5] 12	23, 320	[5] 13
Del City	2, 504	(4)	12, 934	[5] 20	27, 133	[5] 10
Bethany	5, 705	(4)	12, 342	[5] 22	21, 785	[5] 14
The Village		(4)	12, 118	[5] 23	13, 695	[5] 26
Total			1, 116, 110	26		
Moore		(4)	1, 783	(4)	18, 761	[6] 18
Edmond	6, 086	(4)	8, 577	(4)	16, 633	[6] 19
Sand Springs	6, 994	(4)	7, 754	(4)	11, 519	[6] 28
Broken Arrow	3, 262	(4)	5, 928	(4)	11, 787	[6] 27
Total	823, 660	23	1, 116, 110	26	1, 368, 890	29
State totals	2, 233, 351		2, 328, 284		2, 559, 229	
Percent cities are of State	36. 9		47. 9		53. 5	

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[1] Bureau of Census data for 1950, 1960, and 1970.

[2] Seminole dropped below 10,000 in the 1960 census, so was not ranked in 1960 or 1970.

[3] Guthrie dropped below 10,000 in the 1960 census, so was not ranked in 1960 or 1970.

[4] Less than 10,000, so not ranked at this time.

[5] Altus, Del City, Bethany, and the Village increased in population beyond the 10,000 level, so were ranked in 1960 for the first time and continued in 1970.

[6] Moore, Edmond, Sand Springs, and Broken Arrow increased in population beyond the 10,000 level, so were ranked in 1970 for the first time.

TABLE III.—POPULATION AND POPULATION TRENDS IN OKLAHOMA BY COUNTIES AND THE UNITED STATES, 1910–70

County	U.S. census data							Percentage change during decade							
														1910-70	
	1910	1920	1930	1940	1950	1960	1970	1910-20	1920-30	1930-40	1940-50	1950-60	1960-70	Plus	Minus
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Adair	10,535	13,703	14,756	15,755	14,918	13,112	15,141	30	8	7	−5	−12	15	....	43.7
Alfalfa	18,138	16,253	15,228	14,129	10,699	8,445	7,224	−10	−6	−7	−24	−21	−14	60.2	....
Atoka	13,808	20,862	14,533	18,702	14,269	10,352	10,972	51	−30	29	−24	−28	6	20.5	....
Beaver	13,631	14,048	11,452	8,648	7,411	6,965	6,282	3	−19	−25	−14	−6	−10	53.9	....
Beckham	19,699	18,989	29,991	22,169	21,627	17,782	15,754	−4	53	−24	−2	−18	−11	20.0	....
Blaine	17,960	15,875	20,452	18,543	15,049	12,077	11,794	−12	29	−9	−19	−20	−2	34.3	....
Bryan	29,854	40,700	32,277	38,138	28,999	24,252	25,552	36	−21	18	−24	−16	5	14.4	....
Caddo	35,685	34,207	50,779	41,567	34,913	28,621	28,931	−4	48	−18	−16	−18	1	19.9	....
Canadian	23,501	22,288	28,115	27,329	25,644	24,727	32,245	−5	26	−3	−6	−4	30	....	37.2
Carter	25,358	40,247	41,419	43,292	36,455	39,044	37,349	59	3	5	−16	7	−4	....	47.3
Cherokee	16,778	19,872	17,470	21,030	18,989	17,762	23,174	18	−12	20	−10	−7	30	....	38.1
Choctaw	21,862	32,144	24,142	28,358	20,405	15,637	15,141	47	−25	18	−28	−23	−3	30.7	....
Cimarron	4,553	3,436	5,408	3,654	4,589	4,496	4,145	−25	57	−32	26	−2	−8	9.0	....
Cleveland	18,843	19,389	24,948	27,728	41,443	47,600	81,839	3	29	11	50	15	72	....	334.3
Coal	15,817	18,406	11,521	12,811	8,056	5,546	5,525	16	−37	11	−37	−31	0	65.1	....
Comanche	[1] 25,067	26,629	34,317	38,988	55,165	90,803	108,144	[1] 6	29	14	42	65	19	....	331.4
Cotton	[1] 16,422	16,679	15,442	12,884	10,180	8,031	6,832	[1] 2	−7	−17	−21	−21	−15	58.4	....
Craig	17,404	19,160	18,052	21,083	18,263	16,303	14,722	10	−6	17	−13	−11	−10	13.4	....
Creek	26,223	62,480	64,115	55,503	43,143	40,495	45,532	138	3	−13	−22	−6	12	....	73.6
Custer	23,231	18,736	27,517	23,058	21,097	21,040	22,665	−19	47	−16	−9	0	8	2.4	....
Delaware	11,469	13,868	15,370	18,592	14,734	13,198	17,767	21	11	21	−21	−10	35	....	54.9
Dewey	14,132	12,434	13,250	11,981	8,789	6,051	5,656	−12	7	−10	−27	−31	−7	60.0	....
Ellis	15,375	11,673	10,541	8,466	7,326	5,457	5,129	−24	−10	−20	−14	−26	−6	66.6	....
Garfield	33,050	37,500	45,588	45,484	52,820	52,975	55,365	14	22	0	16	0	5	....	67.5
Garvin	26,545	32,445	31,401	31,150	29,500	28,290	24,874	22	−3	−1	−5	−4	−12	6.3	....
Grady	30,309	33,943	47,638	41,116	34,872	29,590	29,354	12	40	−14	−15	−15	−1	3.2	....
Grant	18,760	16,072	14,150	13,128	10,461	8,140	7,117	−14	−12	−7	−20	−22	−13	62.1	....
Greer	16,449	15,836	20,282	14,550	11,749	8,877	7,979	−4	28	−28	−19	−24	−10	51.5	....
Harmon	11,328	11,261	13,834	10,019	8,079	5,852	5,136	−1	23	−28	−19	−28	−12	54.7	....
Harper	8,189	7,623	7,761	6,454	5,977	5,956	5,151	−7	2	−17	−7	0	−14	37.1	....
Haskell	18,875	19,397	16,216	17,324	13,313	9,121	9,578	3	−16	7	−23	−32	5	49.3	....
Hughes	24,040	26,045	30,334	29,189	20,664	15,144	13,228	8	17	−4	−29	−27	−13	45.0	....
Jackson	23,737	22,141	28,910	22,708	20,082	29,736	30,902	−7	31	−22	−12	48	4	....	30.2
Jefferson	17,430	17,664	17,392	15,107	11,122	8,912	7,125	1	−2	−13	−26	−26	−13	59.1	....
Johnston	16,734	20,125	13,082	15,960	10,608	8,517	7,870	20	−35	22	−34	−20	−8	53.0	....
Kay	26,999	34,907	50,186	47,084	48,892	51,042	48,791	29	44	−6	4	4	−4	....	80.7
Kingfisher	18,825	15,671	15,960	15,617	12,860	10,635	12,857	−17	2	−2	−18	−17	21	31.7	....

Kiowa	27,526	23,094	29,630	22,817	18,926	14,825	12,532	−16	28	−23	−17	−22	−15	54.5	
Latimer	11,321	13,866	11,184	12,380	9,690	7,738	8,601	23	−19	11	−22	−20	11	24.0	
LeFlore	29,127	42,765	42,896	45,866	35,276	29,106	32,137	47	0	7	−23	−18	10		10.3
Lincoln	34,779	33,406	33,738	29,529	22,102	18,783	19,482	−4	1	−13	−25	−15	4	44.0	
Logan	31,740	27,550	27,761	25,245	22,170	18,662	19,645	−13	1	−9	−12	−16	5	39.1	
Love	10,236	12,433	9,639	11,433	7,721	5,862	5,637	22	−23	19	−33	−24	−4	46.9	
McClain	15,659	19,326	21,575	19,205	14,681	12,740	14,157	23	12	−11	−24	−13	11	9.6	
McCurtain	20,681	37,905	34,759	41,318	31,588	25,851	28,642	83	−8	19	−24	−18	11		38.5
McIntosh	20,961	26,404	24,924	24,097	17,829	12,371	12,472	26	−6	−3	−26	−31	1	40.5	
Major	15,248	12,426	12,206	11,946	10,279	7,808	7,529	−19	−2	−2	−14	−24	−4	50.6	
Marshall	11,619	14,674	11,026	12,384	8,177	7,263	7,682	26	−25	12	−34	−11	6	33.9	
Mayes	13,596	16,829	17,880	21,668	19,743	20,073	23,302	24	6	21	−9	2	16		71.4
Murray	12,744	13,115	12,410	13,841	10,775	10,622	10,669	3	−5	12	−22	−1	0	16.3	
Muskogee	52,743	61,710	66,424	65,914	65,573	61,866	59,542	17	8	−1	−1	−6	−4		12.9
Noble	14,945	13,560	15,139	13,826	12,156	10,376	10,043	−9	12	−2	−18	−15	−3	32.8	
Nowata	14,223	15,899	13,611	15,774	12,734	10,848	9,773	12	−14	16	−19	−15	−10	31.3	
Okfuskee	19,995	25,051	29,016	26,279	16,948	11,706	10,683	25	16	−9	−36	−31	−9	46.6	
Oklahoma	85,232	116,307	221,738	244,159	325,352	439,506	526,805	37	91	10	33	35	20		518.1
Okmulgee	21,115	55,072	56,558	50,101	44,561	36,945	35,358	161	3	−11	−11	−17	−4		67.5
Osage	20,101	36,536	47,334	41,502	33,071	32,441	29,750	82	30	−12	−20	−2	−8		48.0
Ottawa	15,713	41,108	38,542	35,849	32,218	28,301	29,800	162	−6	−7	−10	−12	5		89.7
Pawnee	17,332	19,126	19,882	17,395	13,616	10,884	11,338	10	4	−13	−22	−20	4	34.6	
Payne	23,735	30,180	36,905	36,057	46,430	44,231	50,654	27	22	−2	29	−5	15		113.4
Pittsburg	47,650	52,570	50,778	48,985	41,031	34,360	34,521	10	−3	−4	−16	−16	9	21.3	
Pontotoc	24,331	30,949	32,469	39,792	30,875	28,089	27,867	27	5	23	−22	−9	−1		14.5
Pottawatomie	43,595	46,028	66,572	54,377	43,517	41,486	43,134	6	45	−18	−20	−5	4	1.1	
Pushmataha	10,118	17,514	14,744	19,466	12,001	9,088	9,385	73	−16	32	−38	−24	3	7.2	
Roger Mills	12,861	10,638	14,164	10,736	7,395	5,090	4,452	−17	33	−24	−31	−31	−13	63.4	
Rogers	17,736	17,605	18,956	21,078	19,532	20,614	28,425	−1	8	11	−7	6	38		60.3
Seminole	19,964	23,008	79,621	61,201	40,672	28,066	25,144	19	234	−23	−34	−31	−10		25.9
Sequoyah	25,005	26,786	19,505	23,138	19,773	18,001	23,370	7	−27	19	−15	−9	30	6.5	
Stephens	22,252	23,692	33,069	31,090	34,071	37,990	35,902	11	34	−6	10	12	−5		61.3
Texas	14,249	13,975	14,100	9,896	14,235	14,162	16,352	−2	1	−30	44	−1	15		14.8
Tillman	18,650	22,433	24,390	20,754	17,598	14,654	12,901	20	9	−15	−15	−17	−12	30.8	
Tulsa	34,995	109,023	187,574	193,363	251,686	346,038	401,663	212	72	3	30	38	16		1,047.8
Wagoner	22,086	21,371	22,428	21,642	16,741	15,673	22,163	−3	5	−4	−23	−6	41		.3
Washington	17,484	27,002	27,777	30,559	32,880	42,347	42,277	54	3	10	8	29	0		141.8
Washita	25,034	22,237	29,435	22,279	17,657	18,121	12,141	−11	32	−24	−21	3	−33	51.5	
Woods	17,567	15,939	17,005	14,915	14,526	11,932	11,920	−9	7	−12	−3	−18	0	32.1	
Woodward	16,592	14,663	15,844	16,270	14,383	13,902	15,537	−12	8	3	−12	−3	12	6.4	
Total (Oklahoma [2])	1,657,155	2,028,283	2,396,040	2,336,434	2,233,351	2,328,284	2,559,229	22	18	−2	−4	4	10		54.4
	91,972,266	105,710,620	122,775,046	131,669,275	151,325,798	179,323,175	203,184,772	14.9	16.1	7.2	14.5	18.4	13.3		120.9

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[1] Cotton County was organized from part of Comanche County in 1912. The following estimate has been made of the 1910 population living in the current boundaries of the 2 counties: 25,067 for Comanche County and 16,422 for Cotton County; see Otis Durant, Duncan, Population Trends in Oklahoma Agricultural Experiment Station Bulletin No. 224, March, 1935, pp. 30–34.

[2] At the time of statehood in 1907, Oklahoma had a population of 1,414,177. Oklahoma Population Trends, OSU College of Business, Research Series No. 4, 1968.

TABLE IV.—PERCENTAGE INCREASE IN POPULATION BY COUNTIES, 1910 TO 1970, OKLAHOMA

1. Tulsa	1,047.8
2. Oklahoma	518.1
3. Cleveland	334.3
4. Comanche	331.4
5. Washington	141.8
6. Payne	113.4
7. Ottawa	89.7
8. Kay	80.7
9. Creek	73.6
10. Mayes	71.4
11. Garfield	67.5
12. Okmulgee	67.5
13. Stephens	61.3
14. Rogers	60.3
15. Delaware	54.9
16. Osage	48.0
17. Carter	47.3
18. Adair	43.7
19. McCurtain	38.5
20. Cherokee	38.1
21. Canadian	37.2
22. Jackson	30.2
23. Seminole	25.9
24. Texas	14.8
25. Pontotoc	14.5
26. Muskogee	12.9
27. LeFlore	10.3
28. Wagoner	.3

SUMMARY

	Number of counties
Percentage range of gains:	
1. 0 to 24.99	5
2. 25 to 49.99	8
3. 50 to 74.99	7
4. 75 to 99.99	2
5. 100 or more	6
Total	[1] 28

[1] Oklahoma as a State gained 54.4 percent from 1910 to 1970.

TABLE V.—PERCENTAGE DECREASE IN POPULATION BY COUNTIES, 1910 TO 1970, OKLAHOMA

1. Pottawatomie	1.1
2. Custer	2.4
3. Grady	3.2
4. Garvin	6.3
5. Woodward	6.4
6. Sequoyah	6.5
7. Pushmataha	7.2
8. Cimarron	9.0
9. McClain	9.6
10. Craig	13.4
11. Bryan	14.4
12. Murray	16.3
13. Caddo	19.9
14. Beckham	20.0
15. Atoka	20.5
16. Pittsburg	21.3
17. Latimer	24.0
18. Choctaw	30.7
19. Tillman	30.8
20. Nowata	31.3
21. Kingfisher	31.7
22. Woods	32.1
23. Noble	32.8
24. Marshall	33.9
25. Blaine	34.3
26. Pawnee	34.6
27. Harper	37.1
28. Logan	39.1
29. McIntosh	40.5
30. Lincoln	44.0
31. Hughes	45.0
32. Okfuskee	46.6
33. Love	46.9
34. Haskell	49.3
35. Major	50.6
36. Washita	51.5
37. Greer	51.5
38. Johnston	53.0
39. Beaver	53.9
40. Kiowa	54.5
41. Harmon	54.7
42. Cotton	58.4
43. Jefferson	59.1
44. Dewey	60.0
45. Alfalfa	60.2
46. Grant	62.1
47. Roger Mills	63.4
48. Coal	65.1
49. Ellis	66.6

SUMMARY

	Number of counties
Percentage range of losses:	
1. 0 to 24.99	17
2. 25 to 49.99	17
3. 50 to 74.99	[1] 15
Total	49

[1] 6 counties lost 60 percent or more of their population from 1910 to 1970, with Ellis County losing 66.6 percent.

Senator CURTIS. Our next witness is Mr. J. C. Brown, Jr.

Mr. Brown, we welcome you to the witness stand. We know you will have something worthwhile to say to us, so would you identify yourself and the capacity in which you appear and then, do you have a prepared statement?

STATEMENT OF JOSEPH C. BROWN, JR., VICE PRESIDENT AND GENERAL MANAGER, DIERKS DIVISION, WEYERHAEUSER CO., HOT SPRINGS, ARK.

Mr. BROWN. Yes, sir.

Senator CURTIS. Then you may proceed.

Mr. BROWN. You have copies.

Senator Curtis, Senator Bellmon, I am Joseph C. Brown, Jr., a vice president of Weyerhaeuser Co. which, as you may know, has operations in over 30 States and a number of foreign countries, and I am also general manager of its Dierks division with timberland, forestry, sawmill, plywood, pulp and paper and other operations, about 10 locations in southeastern Oklahoma and in western Arkansas.

I have heard many references today and last night to rural birthplaces. I grew up on a farm in a rural county 12 miles away from a town of 150 people in the Texas Panhandle, and I have spent my working life in small communities as well as large ones.

First let me say that my company, Weyerhaeuser Co., greatly appreciates the opportunity to have a voice before this group. It seems to me quite apparent that you are very well informed already and many of the points that I intend to make have been made, and been made in some cases by you.

Hopefully, I can strengthen some of your convictions.

This is a subject we are vitally interested in as a major forest products firm which must of necessity place many of our operations in rural areas near the forest resource.

Because of this basic orientation, efforts to strengthen the rural sector of society have our support and encouragement. While much of our attention as a nation in recent years has been directed to the many complex problems of the cities, we feel that it is incumbent upon us also as a nation to heed those problems in our rural communities.

It seems apparent that people do not move to cities because of a perverse intention to add to the problems of their society. Their reasons, as has been noted here and elsewhere, include convenience, economic necessity, or desire for what they hope will be more agreeable surroundings.

If we grant the validity of this contention, it would seem that the major population shifts which have contributed so painfully to urban ills may be essentially the result of basic rural problems: the absence of convenience, economic opportunity, or agreeable surroundings.

It has been our experience that of these factors, the economic factor or the job factor is paramount. Evidence of this, I feel, is the fact that since we initiated our major expansion program in southeastern Oklahoma less than 2 years ago, we have received an astounding number of employment applications from natives of that area that had moved away, often to quite distant locations, who now want to come home with the creation of job opportunities which were previously not there.

I suspect that similar circumstances have developed in dozens of instances across the South as a wave of forestry development over the past 15 years has brought economic prosperity and opportunity to many rural communities of the region.

In saying this, I do not mean to imply that rural industrialization is a panacea in the South or in any other region. But it can play a significant role by providing the economic underpinnings essential to a viable smalltown society as agriculture continues to play a sharply lessening role in this society.

Inevitably there are problems involved in rural industrialization: environmental considerations, the availability of a skilled or trainable work force, the ability of small communities with limited tax bases to respond to needs created by industrial impaction.

While all these factors are significant, that of impaction is especially so. No technologically advanced industry can easily afford to locate significant developments in communities or areas which lack the capability or potential of providing, attracting, and holding not only skilled employees and management personnel, which was mentioned a few minutes ago, but physicians, teachers, lawyers, and all of the other persons possessing the skills and leadership essential to the building of strong and attractive communities.

Under normal conditions, something of a chicken-or-egg problem is involved in rural industrialization. To attract industry, a community needs to possess the capability of meeting certain basic needs, but, quite often, it simply cannot afford to meet these needs prior to industrialization.

There is no easy answer to the dilemma: How can a community "get a leg up," as it were, in order to provide a nucleus of these facilities to attract and hold community-leader types of people so that it can grow and become self-supporting from a tax income point of view?

Resolution of this problem will require the cooperation and understanding of the communities, of industry, and of local, State, and Federal agencies.

In deciding upon our major expansion program in McCurtain County, Okla., which is the southeasternmost county in this State, which had a 1970 population of about 28,000 or a density of 15 per square mile, we were concerned with the impact upon the environment, schools, housing, recreational facilities, road systems, water supplies, sewerage systems, health delivery facilities, and, in fact, almost every other aspect of community life. To put this in focus, I would say our expansion program in Oklahoma involves construction of a particle-board plant near the town of Broken Bow, which has a population of just under 3,000, a pulp and paper mill, the largest facility of its type ever constructed as a single unit, at Valliant, with a population of about 850 people, and a plywood plant, log-processing center, and a small-log sawmill at the town of Wright City, which has a population of about 1,000.

Modernization and expansion of some existing facilities in the country were also involved, as well as a substantial increase in timberland operations.

We anticipate that these added facilities will provide permanent jobs with the company for about 800 new workers, in an area badly in need of additional jobs and payrolls. Of course, during the construction phase that is going on now, there are some 2,300 construction workers at this one town of Valliant.

Projections of the benefits in industrial payrolls, tax revenue, retail sales, bank deposits, new homes, and other employment over and above the industrial payrolls are, of course, quite exciting to a number of the local leaders. But what about the problems that come along with the additions and changes?

If I were to draw a single, broad conclusion from our experience, I would say yes, there are avenues available through which most of the problems of impaction can ultimately be resolved, but inevitably there is a distinct time lag of up to 2 years or 10 years or 20 years, which redounds to the considerable disadvantage of the community.

Governmental programs of community assistance are generally adequate in concept, but funding is not always available and the involved agencies sometimes seem to move slowly for the type of job that seems to be needed.

It is not sufficient simply to make a variety of programs available to these communities; they understandably lack necessary expertise in "grantsmanship," and the lack the financial resources to hire professional consultants.

In general, we have been favorably impressed with the various regional agency staffs, but they need to be bolstered, so that communities can be guided through the maze of procedures involved in obtaining grants, loans, and other assistance. And a body which could cut across agency lines in working with rural areas would be well worth while—an overall coordinating unit which could examine total community needs and assist in their resolution on a package basis. Perhaps the newly formed Oklahoma State agency, Office of Community Affairs and Planning, which Governor Hall described and which Dr. Evans referred to, could serve this role if it were properly augmented and funded.

Certainly it is vital to strengthen and encourage the presently established Oklahoma economic development districts, which the Governor also described, and such interstate agencies as the Ozark Regional Commission which can serve the purpose of fostering regional cooperation and sorting out the desirable projects from the undersirable projects at a more local level.

As for specific problems encountered in southeastern Oklahoma, we and others were concerned perhaps as much as anything with the effect of our expansion program on the school system in this county.

Since our papermill, which is the largest investment, would be located at Valliant, that school district under ordinary circumstances would have received a disproportionate ad valorem tax advantage. I use the word "disproportionate" advisedly, because it seemed likely that the majority of employees at the plant would choose not to live in Valliant, but instead in Idabel, Broken Bow, and other nearby, larger towns.

Schools in those communities would thus experience the impact of greatly expanded student bodies resulting from employment at Valliant, but they would not receive any help from the mill's ad valorem tax.

Seeking a solution to this problem, we turned to the Oklahoma public trust law, which Governor Hall mentioned. I might say if I had been sixth on this program, I would not have any speech left. The points I am making have been made before, but I hope at any rate they reinforce some of the points.

The point of this Oklahoma public trust law was to provide tax-exempt bond financing of plants, land, and buildings, as well as ad valorem tax relief, as an inducement for industry to locate within the State. We turned to this law not to gain relief from ad valorem taxes nor to obtain tax-exempt bond financing, but rather to seek a more effective response to the needs of the communities in which we would be operating.

Toward this end, we assisted in establishing the Southeastern Oklahoma Industries Authority, which as a duly authorized agency of the State of Oklahoma would be tax exempt. But at the same time, the authority, as owner of all new Weyerhaeuser facilities in Oklahoma and the land upon which these facilities are being built, would receive from Weyerhaeuser annual rentals in an amount equal to or greater than the ad valorem taxes which normally would be paid to the county and school districts in which the facilities are located.

The authority would in turn apply this rent to such public purposes as ad valorem taxes are normally directed. It need not, however, apply the rents in the same proportion nor to the same governmental entities as would be required of ad valorem taxes. Rather, they may be applied in the areas in the county of greatest need.

I would emphasize again that trust authorities are normally established to administer rentals from facilities constructed through industrial development bond financing. But in our case, Weyerhaeuser Co. has turned over all the facilities to the Southeastern Oklahoma Industries Authority, even though we are financing and constructing the project in its entirety.

I might mention as perspective reference here that in 1969 we paid 25 percent of all the ad valorem taxes in the county at the time that our employees and their families made up about 8 percent of the population. Upon completion next year of our new facilities, we expect to number about 16 percent of the population of the county in our employees and their families, and will be contributing more than one-half of the revenues in the county.

I have gone into considerable detail on this point because I think it is a little novel, but I feel that our experience in regard to the school situation in southeastern Oklahoma is a pretty common one. Quite often an industry's facilities are located across school district or county lines from the community or communities in which its employees live, thus impacting one school district while the ad valorem taxes go to another. We had faced a similar situation at one of our operations in North Carolina, where I was located for 6 or 7 years. It was a painful problem.

Obviously, if optimum and equitable community development is to result, such situations must be corrected, and perhaps our use of the trust arrangement in Oklahoma may offer some insight into a possible solution.

Another of our primary concerns in initiating our expansion program in McCurtain County dealt with the impending need for several hundred new homes, a circumstance that could tax the resources of almost any predominantly rural area.

We sought to partially meet this need by having a subsidiary, Quadrant Corp., undertake housing developments in Idabel, Broken Bow, and Wright City. Quadrant's personnel have worked closely with Federal agencies in arranging financing and setting up specifications, and we have found them in the main to be well staffed and knowledgeable.

However, rural housing programs of the Farmers Home Administration have, in our experience, fallen somewhat short in implementation. They do not adequately recognize that housing does not exist in a vacuum, but it is inextricably linked with general community amenities which also must be considered in attracting and holding people in a community.

Moreover, Farmers Home Administration guidelines for appraisal of rural or smalltown housing for subsidized interest loan purposes discourage the installation of air conditioning or partial carpeting, for example. HUD, on the other hand, gives normal consideration to these factors in making appraisals. These agencies can and do operate side by side in communities under 10,000 which are not adjacent to a larger urban area. We have observed that their appraisals of the same house for section 235 loan and interest subsidy purposes can differ as much as $1,500 to $2,000.

We realize there are many factors that can contribute to this differential: The point discount and higher closing cost required by HUD, as an example. It is our experience, however, that the speculative builder of houses for sale finds Farmers Home Administration loans are not very appealing to buyers. If he, the builder, builds to Farmers Home Administration specifications, then the homes are not appealing to a substantial segment of the market.

This is a quandary that we think a lot of people are caught in, in the single-family home market these days.

Related housing problems which we have experienced in southeastern Oklahoma have been the absence of suitable rental housing, the hesitancy of private contractors to build on a speculative basis, and in determining what types of developments best suit the life style of prospective buyers.

A further concern was directed toward the adequacy of sewerage and water systems to cope with increased community usage. Although some progress has been made, there are still major problems.

If impaction problems are to be moderated, early action in regard to water and sewerage facilities is essential. The various Federal assistance programs which are available should be made more responsive.

Again, it is the old chicken-or-egg problem. We were determined not to encourage development of "rural slums," and agreed wholeheartedly with Federal regulatory agencies that planned and adequate water and sewerage facilities, roads and streets, underground powerlines, green areas, and other amenities should be a part of the package. Unfortunately, these features add substantially to first costs and must be absorbed by the buyer whether he wants them or not.

What we are seeing, at least partially as a result of these costs and delays, is a proliferation of clustered mobile homes which simply "hook on" to existing facilities or jerry-rig their own facilities to less demanding specifications; thus the shared intent to do the job right and conform to specifications set up to meet commendable long-range Federal lending agency requirements has produced relatively few new home occupancies, but has resulted in a substantial number of trailer homes. These add very little to the county and school district tax rolls and simply postpone the inevitable day of reckoning with water, sewerage, and solid waste disposal problems in some of these communities.

The small town of Wright City was unable to obtain a farmers home loan to install a modern water and sewerage system sufficient in scope to allow for any growth cushion whatever, since it could not demonstrate financing of bonds on the basis of existing houses and cash flow.

To enable the community to meet its expected needs, Weyerhaeuser Co.—from its own self-interest—is entering into a guarantors' agreement with Farmers Home Administration, with a contingent liability to the company in excess of $300,000.

Presumably, adequate financing support would ultimately have been available to Wright City—after it had experienced population growth and too late to meet the initial need. More latitude should be allowed by governmental agencies when considering matters of this nature. Long-range and coordinated planning is essential.

Another area where more flexibility would seem to be desirable is in regard to assistance for financing hospital and other medical service facilities. In McCurtain County a new general hospital—for which we will provide the land—has been in the planning stage for some time.

As I understand the situation, a cost of $3.5 million is presently projected, of which $433,000 would come as a grant from Hill-Burton funds. The remanider must be obtained through private financing and contributions, and this is very difficult for a small community with a limited tax base.

We are also painfully aware, of course, of the problems of adequate staffing of health delivery facilities in rural areas.

Before concluding, I would like to touch on one other aspect of rural industrialization which is understandably of concern to many in the general public, the potential pollution of rural landscapes, streams, and air that previously existed in a relatively "pure" state, at least in popular conception.

One of the decisive considerations in our decision to locate our Valliant facility in Oklahoma was the availability of State income tax credit provisions on investments in air and water pollution controls. It was simply a matter of economics: we were committed by corporate policy to install in this facility the very latest technology available in pollution abatement control devices, to make it one of the world's "cleanest" pulp and paper mills. Controls we are in process of installing are rated at degrees of effectiveness ranging from a low of 95.4 percent to a high of 99.9 percent. They are highly efficient—but they are also highly expensive: total cost of the pollution control facilities will be more than $10 million.

We have developed a good working relationship with the air and water pollution control commissions of the State, and have fully cooperated with them in a number of studies on pre-start-up air and water quality parameters, in order to establish benchmarks whereby our post-start-up performance can be evaluated. I make this statement because we expect to meet the same environmental standards as if we adjoined a major population center.

I could argue about a point like that for a long time, but this is what we are doing.

There are several problem areas which can result from rural industrial impaction that I have not touched on: transportation, recreation, needs, development of retail services, preemployment, or on-the-job training programs for specific jobs, and others.

I would only say in conclusion that, to one degree or another, we are working with various agencies in all of these areas. We will continue to assist as we reasonably can because it is in our long-range best interests to do so. In our judgment Federal and State governmental leaders should recognize that it is also in society's best interests to make it attractive for its citizens to live and work in small towns. At this time, heavy Federal spending in U.S. cities seems only to have brought a greater concentration of underemployed or unemployable into already overcrowded and confined areas.

Thank you. We appreciate the opportunity, Senator.

Senator **HUMPHREY.** Mr. Brown, I apologize for leaving the room for a small moment.

Mr. **BROWN.** We all have to go once in a while.

Senator **HUMPHREY.** Yes; that was part of it. I had another obligation as well. [Laughter.] But I read your testimony and I want to commend you first of all on not only saying the advantages of industrialization, but the problems that it poses.

I think that is one of the areas where we tend to be a little weak in our cross-examination. We presume that sometimes a community is ready to absorb a major industrial enterprise when it is not, just as our great cities were unprepared to absorb the influx of population. They were not, and they ended up with very serious problems.

I said last night that I thought one of the big problems that faces the rural community in the future was not only trying to modernize, but how to plan for the immigration that is coming into the rural community, how to get ahead of the game, so to speak, rather than just trying to rehabilitate somthing that had run down, and I notice that you have cited here a number of factors which bear very careful examination.

You put the question about, under normal conditions, something of the chicken-or-egg problems involved in rural industrialization. To attract industry, a community needs to possess the capability of meeting certain basic needs. Quite often it simply cannot afford these prior to industrialization.

That is true of a number of communities. I think it can be also said that there are a number of rural communities that do have pretty good schools, that they have an infrastructure for it, that do have the beginnings of a hospital and medical system, that do have the basic infrasturcture of a water system.

The fact is, however, that when you get any substantial amount of industry, these community services are sorely pressed. I am so filled with this because with this work of the committee, I have taken a much more active interest in my home State on these problems and I just met a week ago with the county seat, in the county where I live. They have been waiting for years to get a waterplant, water and sewage plant, and they cannot wait any longer. I mean they are up to their ears in debt, but they had to do something if they were going to get some industry that wants to come there.

We have the pollution control agency in my State that is just cracking down real hard and we do not have any funds to help the local communities meet the problem of waste, the disposal. So we are kind of caught between two hammers.

This trust idea, this is the first time I have heard of this.

Am I correct that what you have done is to take your facilities and put them into a kind of an authority that is a tax-exempt authority, so to speak, and then you pay in lieu of taxes to that authority?

Mr. **BROWN.** Yes, sir.

Senator **HUMPHREY.** That would be equal to the ad valorem, equal or more than the ad valorem tax?

Mr. **Brown**. Yes, sir. We look at a formula, the book value of the operation, and arrive at an annual rental which is paid by Weyerhaeuser Co. to the authority.

Senator **Humphrey**. Which in turn distributes the money?

Mr. **Brown**. Then disburses it, and I have heard the board members trying to figure out how to do this equitably and I can tell you this is a whole can of worms in itself, how to equitably distribute between small towns, various school districts, counties. It is a sticky one, but I think we will do a much more equitable job than would the normal school district ad valorem tax system which would put, I am going to guess, roughly 80 percent of the new tax money in that county would have gone into one school district which would have had maybe 15 or 20 percent of the kids.

I felt personally this was intolerable because I spent many years in a community where we struggled with that and I said there must be a way to avoid this.

The Governor's office pointed out this trust law which we were not even aware of and we explored it and it looked like it would serve the need, and it, to by knowledge, has not been used for that purpose before. It has been used normally to attract some small industry to come in and help build a building and give them a free ride on taxes for several years and, as Governor Hall mentioned, these inducements have brought many industries into many small communities.

We are financing the entire operation ourselves, but the device of the trust permits us to put the money where it seems it is more needed to meet the impaction that we created.

Senator **Humphrey**. What this really points up is that many of our present governmental institutions do not relate to the type of industrialization and community development which modern society calls for. That is really what it boils down to. A lot of the problems today in local government—I try to interest myself both as a student and a practitioner in local government—the problems just do not relate to the governmental structure.

I was mayor of the city of Minneapolis and France Avenue divides Minneapolis from Edina and I saw one-half of that avenue paved and the other half gravel. How stupid can you get? You have got to really be an ignoramus to figure out something like that, but the reason was, it was governmental jurisdictions. One side was not going to pave it and the other side did want to pave it, and you have parks split the same way, where one side is taken care of and the other side is not.

This is part of the problem of government today and surely it is part of the problem of the metropolitan government. I mean when you get into the big cities, you really find these conflicting authorities are just, well, they are a maze of trouble.

Now, when you get down to industrial development, the school situation is the big problem when you get a large number of people coming into an area.

I noticed the California State Supreme Court decided financing of public education was unconstitutional. We have a serious problem about it out in our community. We have the biggest tax base where the richest people live, where they have the best schools, where the kids would really need the least education because they have more of it at home and we have the poorest people where we have the lowest tax base where the poorest people live where they need the best education, and it is in those areas, by the way, where the new industry does not go either.

The reason they do not go is because the industrialist says, well, there are not enough educated people around there and education is not so good. You have tried to overcome this with a device of what you might call payments in lieu of taxes——

Mr. **Brown**. Yes.

Senator **Humphrey** (continuing). Which we have used at the Federal level sparingly.

Mr. **Brown**. I would say candidly under the law the authority could set that number at almost any number they chose. We intend to be in Oklahoma a long time and we want to live with our neighbors, so we did our best to set this at what we perceived to be the tax valuation in that county based on that, and this has been run through the Governor's office and IRS and everybody else.

Senator **Humphrey**. Is this development primarily in one county?

Mr. **Brown**. Yes, sir.

Senator **Humphrey**. So you at least have one jurisdiction of government with which you can coordinate your activities?

Mr. **Brown**. Yes, sir.

Senator **Humphrey**. Senator Curtis.

Senator **Curtis**. Well, Mr. Brown, you gave a very fine statement. In view of the lateness of the hour, and we are running behind schedule, I will forego the temptation to ask some questions.

Senator **Humphrey**. Senator Bellmon?

Senator **Bellmon**. Mr. Chairman, I want to thank Mr. Brown for coming here and giving us the benefit of the experiences he has had in connection with this development in southeastern Oklahoma. I think the thing that has happened there is the sort of thing we hope will happen in many, many rural communities and hopefully we can get some guidance from their experience.

I would like to ask him a couple of rather specific questions.

As I listened carefully to your testimony, I could gather that we in the Federal Government seem to have a double standard as far as financing housing. HUD allows financing of a higher quality type housing unit than does Farmers Home Administration? You mentioned here that——

Mr. **Brown**. Senator, this is my understanding and I will say at the outset, I am not a housing expert. I am not an expert with these agencies. Our real estate people tell me this, and I believe both these agencies are operating out of the same—you know, against the same section 235 loan guarantee funds and interest subsidy pool. This is my understanding of it.

I presume that the Farmers Home Administration over a period of years has said in effect these are farm homes, you know, and what the heck, they do not need air-conditioning and they do not want carpeting and these sort of things.

I am presuming that this has been the evolution of that state of mind. HUD then in effect comes in, from an urban area and says in effect, well, gee, those comforts are sore of normal, and so here are these two types of situations, which is interesting, to say the least, on basically the same dwelling, a house built exactly to the same specifications.

Senator **Humphrey**. But the valuations could be—I was interested in that. The valuation that is made is different by the two agencies?

Mr. **Brown**. I am told it could be as much on houses that we are personally well-acquainted with, as much as $1,500 to $2,000 different appraisal on exactly the same dwelling because of different credit given for different optional or nonessential features as judged by the FHA.

Senator **Bellmon**. Mr. Brown, would it be too much of an imposition to ask you to get one of your housing authorities, one of the people who worked on this problem, to give the committee a memo giving us particulars so that we might go into this matter in a little more depth?

Mr. **Brown**. Yes, sir.

Senator **Bellmon**. I do not wish to push you on the matter since you did not work with it personally, but it seems to me here is an area where the Government ought to have a single policy since the money all comes out of the Federal Treasury.

Also, I gather from what you said here that there seems to be a deficiency that the authority of the Farmers Home Administration has to provide community facilities that an expanding area may need when these houses are built. Did I misunderstand?

Mr. **Brown**. This may have been overstated, Senator.

What I meant to say, and possibly did not say well, is that between these two agencies, and I am obviously not trying to start anything between these two agencies because they are both doing a lot of real good work; Farmers Home, as I hear it from our people, has had some funds and this has been a great help, just the fact that agency has some funds, as far as water and sewage and homes.

HUD, as I see it, is more sensitive to or more sympathetic to the fact that a community needs some amenities, you know. To my knowledge, none of the communities we are talking about have made application for it because they have not figured out how to do it yet, but they are—HUD seems to be more sensitive to, you might say, other things in life, such as playgrounds and this type of thing.

Senator **Bellmon**. So here again there is a double standard?

Mr. **Brown**. Possibly.

Senator **Bellman**. Could you have this matter covered also in any memo you may have prepared?

Mr. **Brown**. Yes, sir.

Senator **Bellmon**. I think we ought to find out why it is that our programs seem to be more fruitful as they apply to rural areas than as they apply to the urban centers.

Also, I notice on page 7 of your testimony you mention a need for some system to guide rural leaders, rural communities through the maze of procedures involved in obtaining grants, loans, and other assistance, and that there needs to be some body which would cut across agency lines in working with rural areas in situations such as you have.

Now, could you tell us a little more specifically what you have in mind?

Mr. **Brown**. I understand that under circular A–95, I believe it is, of the Federal budget group, that the State of Oklahoma, along with others, was asked to set up a clearing house at the State level through which would flow requests from individual communities or people or agencies within a State through that State before it went to the Federal Government, to make sure that this complied with the State air and water quality rules, that it complied with the plans which the State might have for some orderly development of the State, to see that they complied with any other State rules or regulations which the Federal Government might not be that well-acquainted with. And this in Oklahoma I believe is called the Office of Community Affairs Planning.

I have heard quite a speech on this subject. It sounded real good and I think if that function were used not just as a screen to hold back requests, but also as a coordinaotor between people like EDA and HUD and Farmers Home and FHA, and anybody else that is passing out the possibility of loans or grants, Hill-Burton or whatever else, I think this could be awfully helpful to these little towns.

You know, think of the mayor. He has a job making a living and he spends a couple of nights a week working on city problems and he does not have any professional help. He does not have the time and somebody says, well, you have to see this agency. When is he going to do it? He has a living to make. And that agency says, we can take you this far and then you have to go see this one and then they send you back and it gets to be—I have been through this—a real cat-and-mouse game almost, though not intentionally, I think. It just comes out that way.

I am saying that these economic districts that you are acquainted with, Henry—can serve a real good role there if they are used this way, and I think the State agencies, State offices—the papers have to go through them anyway under the Federal Government rules as we understand it, so since they are going to be seeing all these papers and pushing them forward and backward, why not carry that one step forward and say, okay, how about you being quite helpful to these little towns, too? I do not know if this fits better in that role than the State extension service that Dr. Evans talked about. I cannot answer that.

I am just saying somebody could serve a role that is not being played and it should not always have to be some professional consultant who comes in and takes a big bite and then says, well, you know, to get my 7 percent I have to have a big job out of it, and I question why we have to do it the way we are doing it.

Senator BELLMON. Mr. Chairman, I realize we are behind time and I will not ask any further questions. I may, if it is agreeable, Mr. Brown, write you a letter and pose some additional inquiries.

Senator HUMPHREY. I hope you shall, because the testimony was so filled with thought-provoking statements, very helpful. We are very grateful to you.

By the way, I want the record to show that all testimony that is not given orally is, of course, incorporated as part of our testimony here. [Applause.]

Mr. Lee, the first thing we want to do is thank you for making us honorary mayors of Boley, Okla. You do sort of humiliate both Senator Curtis and myself when you make us minority members. You made Senator Bellmon an honorary member earlier and he has seniority. I trust this card will give us free traffic violations and a few other things when we come to Boley.

My best to you and convey my thanks, will you, to the mayor, and we will look forward to visiting you one day.

STATEMENT OF MAURICE LEE, PRESIDENT, LEEFAC MANUFACTURING CO., BOLEY, OKLA.

Mr. LEE. I certainly will, Senator.

I do not know which outranks which. I do not know whether to address you as Hon. mayor-Senator, or Senator-mayor.

Senator HUMPHREY. Well, I will tell you, I had more fun being mayor.

Mr. LEE. Senators Humphrey, Curtis, Representative Camp, in the interests of brevity I am going to try to condense this testimony as much as possible.

First let me say I am indeed honored by your invitation to give testimony to you today. My testimony to you will be about LEEFAC and a town called Boley. It consists of facts, studies, history and observations on the development of a small black rural town which was all but dead. Today, through tremendous efforts of its citizens and many other private, local, State and Federal organizations, this town is alive and its pulse is strong. It breathes the heady breath of a nonpolluted, noncongested environment. Why? Because many people cared, and they cared because, it is my belief, that development of towns such as Boley all over the United States of America provides the immediate answers to many of the problems which face us today caused by overpopulation, and you all know what those are.

I do not mean to imply that these problems will go away and disappear overnight and all the programs that are presently geared to solving these problems should be abandoned. I am saying that a lot of the problems which exist in the cities today resulted from the migration of people from rural areas during the depression years to now. Movement back or cessation of this movement will alleviate these problems while we learn better methods of coping with these problems. Certainly as the rural areas develop, these methods will have to be applied to prevent the same problems, that is, of pollution, overpopulation, which now exist in cities.

A TOWN CALLED BOLEY (HISTORY)

Boley's history parallels that of the old West. It was incorporated as Boley Indian Territory in 1904. The organizers freedmen of the Creek Indian, dreamed of a great future for the town. There was one big difference; that is, Boley was founded as a haven for the depressed blacks. It met with great favor with them and they chose to settle, purchase property, build homes, schools, churches, and businesses. The population mushroomed and thrived until it reached an all-time figure of 2,500, which is almost as big as Minden now, I believe, Senator, in the incorporated limits, and twice this figure in the Boley trade area.

Boley boasted two banks, three cotton gins, a brick factory, a neckware factory, a broom factory, a college and a carbonated drink plant. Boley's population declined severely during the 1930 depression and the 1940 war years.

These events affected Boley the same as they did many other communities all over the Nation. A combination of the demise of the small farmer caused by collapse of the cotton economy, and the attraction of the higher wages paid by the larger metropolitan and the highly industrialized areas caused Boley's population to shift to larger cities in the North, east coast, and the west coast. Boley barely held its own in the 1950's and the population hit a new low in the 1960's.

Through an unofficial census taken by the Boley Chamber of Commerce in 1965, it was determined that Boley had a population of 476 people. This was Boley at its low point, which was some short 13 years ago. We had handcrank telephones, we had wood, propane and butane systems with exorbitant gas cost, no paved roads, no sewers, a dilapidated water system from which you were lucky to get water 2 hours a day during the hot summer months when you needed it most, no employment other than the school system and the State schools for boys.

Unemployment rates ran as high as 60 percent. The people had to go from Boley, commute to Oklahoma City, some 60 miles away. The median income was roughly around $1,300 per family. Eighty-three percent of the housing units were substandard and deficient.

These are the statistics of a town in a gripping heart attack, but it is more like a town after a gripping heart attack.

THE ROAD BACK

The Boley Chamber of Commerce was reorganized and the citizens of Boley rallied around this organization for its leadership.

As a town, we felt that in order to bring the town to life we had to provide the basic necessities, such as inexpensive sources of fuel, electricity, water, and good communications. Though the diligent work of the citizens of Boley and many other private, State and Federal organizations over 13 years, the following resulted: Incidentally, we do now have direct dialing as of this year; National gas fuel installation, which has lowered the fuel cost considerably; paved main street and school roads; school system second to none; water improvement and sewer system; improved street lighting; modern housing project, and, expanded industry.

We felt that the above had to be done before we could even hope to bring in industry from the outside or create one of our own from the inside. After these improvements, the problem became how to stabilize outflow of our talent. The answer was to provide jobs.

Our agribusiness had undergone a change from cotton to cattle. Where 80 to 160 acres once supported a family of eight, it now takes 1,000 acres to support a family of six. This is based on the formula of 3 acres to support one cow. Of course, this is a generalization, but it quickly told us we needed industry of some sort which could provide many jobs per acre to help absorb those whom the farms could not support. For, using the above formula and the fact that less than 23,000 acres lies in Boley trade area, only 23 families could live in the comfort and style of the 1970's.

LEEFAC, INC.

The formation of LeeFac, Inc., was exorably intertwined with the efforts to halt the decay of the town of Boley. M. W. Lee Manufacturing Co. was founded in 1961 to manufacture a new unique barbecue unit when M. W. Lee, Sr., operator of a small appliance store invented a new process of barbecuing meat. This process was developed from his idea by placing an electric skillet into a pressure cooker along with wood and meat and placing this into this unit. The wood then placed on the skillet charred and created a smoke. Then the pressure forced the hickory flavor all through the meat. It gives a flavor of the old-fashioned pit.

M. W. Lee, Sr., has been granted several patents on his invention.

Shortly after starting the company, my brother, and we have reiterated the point that people go where jobs are, but sometimes we have to go back and create jobs in order to hold the talent and the young people in the town, and I would like to charge, and I am sure that many of you students will go back to your hometowns and help alleviate the conditions which you find there rather than going out to the golden promises held in the cities for more pay. And I think the golden promise will be in the rural towns because of people like the Senators here who are interested in rural development.

In 1968, the cooker was becoming nationally known as a result of the advertising in national trade journals and appearing in the national restaurant shows several times.

At this time, the Lees decided to concentrate their efforts on chain restaurants. In a demonstration to Bonanza International, a chain of steakhouses, the officers of the company were so impressed with the Smokaroma units, they wanted exclusive rights to it. Bonanza acquired Lee Co. One of the provisions of the acquisition was that the manufacturing operation remain in Boley. So Bonanza agreed to this, and in this way we are able to enlist the active assistance of a substantial corporation on our war on poverty.

A few months after the merger, it became apparent that we could produce more cookers than Bonanza could use, so in order to utilize the other talents in this company, Bonanza decided to build furniture for their stores. A factory was necessary. They enlisted the help of Okfuskee County Industrial Foundation by getting them to finance a $150,000 bond issue. This was later increased to $175,000.

The Oklahoma Industrial Finance Co. also kicked in another $37,400 for fixed commitments, bringing the total commitment up to $212,500, with which we were able to build a new building and equip it for furniture manufacture.

With the new plant in sight, attention turned to supply a labor force for the company's expansion to furniture manufacturing. The State of Oklahoma stepped forward to provide a training program at Oklahoma State Tech in Okmulgee, Okla. The Federal Government also granted an OJT program coupled with the State program.

The Oklahoma State Employment Service also tested the applicants and aided in selecting the best qualified for millmen and furniture upholsterers. In school, these trainees did remarkably well. One instructor remarked upon the completion of the 16-week course, "Most of them did better than some students who have taken the 2-year course." One of the most gratifying results is that of 15 hard-core unemployed, many of them young adults—and almost everyone in Boley is a hard-core unemployed—many of them adults who had never held a regular job, and only one dropped out of the training program.

Early in 1970, because of tight money and the change in Bonanza International management, it was decided, with regret, that M. W. Lee Manufacturing Co.'s operations should be shut down. The new furniture operation had not had time to develop markets to keep afloat, and since the cooker had been taken off the market, we were kind of left high and dry.

However, at this time, the Government began to focus its attention on 8(a) contracts, with emphasis on supplying these contracts to minority companies. LeeFac, Inc., was organized to secure both an 8(a) contract and certain assets of the M. W. Lee Manufacturing Co. In its organization, the Lee brothers combined with two other stockholders, UCC Venture Corp. and Phillips Industrial Finance Co. These are two minority enterprise small business investment corporations sponsored by University Computing Co. of Dallas and Phillips Petroleum Co. of Bartlesville. They helped to provide equity capital, and they, along with the Small Business Administration, also provided loans to provide the other working capital.

In October 1970, LeeFac did acquire that 8(a) contract for manufacturing 15,600 household crates over a period of 1 year. It was the largest contract of this size that was ever granted by the General Services Administration. LeeFac, Inc., acquired M. W. Lee Manufacturing Co. and moved into its recently completed plant and began production of these boxes.

The company, pleased with the past performance of its trainees, applied and received additional training from the Oklahoma State Department of Vocational and Technical Education. It also received additional training help through the National Alliance of Businessmen in the form of a Jobs 70 program. There were 10 trainees enrolled in this program.

As a result of the quality of this product that these employees produced, LeeFac, Inc., has been put on a quality assurance program. This makes it unnecessary for Federal inspection of each shipment, which was done initially. It was reported by General Services Administration that it believed that LeeFac was the first 8(a) contractor ever to be placed on this program. LeeFac, Inc., has a perfect record in its performance of the contract. It has proven that it can produce a quality product. It has proven it can do it in quantities, and it has proven it can deliver the product on schedule. It has also met all its financial obligations with its suppliers and lending agencies. Thus, LeeFac, Inc., has established an enviable credit rating of prompt and discounting.

ECONOMIC IMPACT ON THE COMMUNITY

LeeFac, Inc., now employs 35 people in the county. It contributes directly in payroll approximately $150,000 per year. This, coupled with the other improvements, have made a tremendous change in the community. Some of the cold statistics are: The unemployment rate in 1965 was 60 percent, now about 20 percent; the median income, $1,300, now about $2,300, or roughly about 80 percent up; and substandard housing is down to 50 percent.

Now, these are the cold statistics, but translated into human values, we see new cars, new homes. Where there was despair and resignation, we now see hope and faith and enthusiasm, and a difference in the spirit of the town and the people themselves.

Now, while these figures show a dramatic increase, they are still way below the State and the national norms and must be substantially improved. While the story of LeeFac, Inc., presents an optimistic view of its future, it would be naive to believe it is in a stable and secure position. It still needs a great deal of help.

For example, another 8(a) contract is needed now to permit it to survive another year while developing outside markets. In spite of its almost perfect performance record, no contract seems to be in the offing as of this writing.

While we are enthusiastic about the town of Boley and its progress, we would be naive to believe that it has reached the point of self-sufficiency. We still need a great deal of help.

We need new city buildings, new school facilities, parks and recreational facilities, more industry, access roads.

Some of my recommendations are as follows. And since our community is predominantly black, much of what I say will be black oriented. These recommendations apply to agribusiness problems in our area as well as industrial problems.

First, I would recommend hiring more black technicians and field representatives in all departments of the Government and especially in those pertinent to rural and small business development.

Second, I think that bigger risks need to be taken, and when I say risks, I mean risks in quotation marks, most often—well, that is, the old conservative yardstick needs to be changed to apply tc people who cannot measure up. In your rural community, the very people who need the help are the ones who are rejected by these conservative measurements.

It was noted with interest in the August 28 issue of Business Week, larger businesses are finding that testing methods ofttimes promote a good worker to a position where he makes a poor supervisor. A new system of assessment was instituted called the assessment centers. In one case, a person who had no college training and never worked in an office was promoted and made an excellent middle-management supervisor. A Department of Labor project was cited where a group of 250 blacks and Indian trainees were put through conventional written tests and then put through an assessment center. The conventional test showed promotion potential in only 15 percent of them. Assessment found it in 50 percent of them.

I am saying that we need to apply some sort of Assessment Center to our measurement of people in need of help.

Third, a system to accelerate funds and other assistance to cut red tape. The sheer burden of filling out forms and the time consumed in waiting for the fulfillment often makes a man despair of help. Many times it comes too late for the help applied to do any good by the time it comes.

Fourth, more money needs to be made available to smaller towns in the form of renewal programs, and here I had in mind more or less renewal of the downtowns, city hall, roads and things like that. There seems to be plenty of money available for housing and this sort of thing, but none for city complexes.

Fifth, I think more benefits, and I think this has already been covered, need to be made to businesses to encourage them to locate in rural areas. One thing that we have found is that our insurance rates are terrifically high because of—well, our town is not able to afford adequate fire equipment and we are in Class 10, which is the highest rate or highest class there is.

Sixth, more on 8(a). Since the bulk of government business is not let by competitive bidding, but is negotiated and is on a cost-plus basis, it is recommended that the prime contractor be required to set aside a percentage of this business to 8(a) contractors.

Seventh, better methods of communications to make known to an 8(a) contractor or potential 8(a) contractor information regarding 8(a) set-aside contracts.

One other thing, and I did not include this in my written testimony. I had not presented it to you, Senator Bellmon, because this information just came to me this morning, and I would like to read it. This is in regard to our attempt to—well, first, to renew our existing contract and then, second, after we were told we could not renew it, to try for other contractors, and we had written our local SBA office and then one of our directors wrote the regional office in Dallas and this information was called back to me today, so I do not have a copy of the letter really, but this is a direct quotation of a letter from SBA to our director, which was Walter Durham of VCC Venture Corp. in Dallas.

> Despite continued efforts, we have been unable to locate suitable requirements for an additional contract for LeeFac. Our national office has been unable to obtain the kind of cooperation from the procuring agency which is essential to the 8(a) program. We have actually done harm to some businesses in that, following an initial contract, follow-up support was not available. This resulted in the financial ruin to those whom we were attempting to assist.

My recommendation No. 8 is in regard to this statement. I think it is a sad thing that agencies cannot cooperate. I think this program, this 8(a) program, could be a terrific program as applied not only to small towns, but to minority contractors all over the United States in larger metropolitan areas as it is being done now. But I would like to see the program investigated and some method of eliminating petty jealousies or interagency rivalry, or whatever exists.

I do not know what the cause is. I know that we have not been successful in renegotiating another contract.

I think the basic aim of the 8(a) program is good. I think it needs to be kept and expanded. I think that the MESBIC concept is good and needs to be kept and expanded. In general, I think that all the programs that you have for rural development and your present agency programs should be kept.

I think if these recommendations are accepted and applied to these existing programs, then they would be made much better.

That concludes my testimony.

Senator HUMPHREY. Thank you very much, Mr. Lee.

Mr. Lee, I want you to know that we will take this part of the testimony that relates to the 8(a) contract, your problems, and I am going to ask the Senate Small Business Committee to look into it, if it is agreeable with my colleagues here, because it is a matter that falls directly under their jurisdiction and they have staff that can give it personal attention.

I would suggest further that you might want to write a letter to the Senate Select Committee on Small Business, United States Senate just send it to them, and you can send a copy of your letter to Senator Bellmon and the Congressman, and I am sure there will be a follow-up on it. They have the professional staff that can really dig into this and I am familiar very much with what you are talking about.

I have a very personal friend in Minneapolis, Mr. Tom Tipton, that works in this field and has been a great help to a number of the black enterprises, and it is very important that we follow up. To get a start on these things and then pull the rug out is terribly disheartening, and may I say a great waste to the government as well as to those that are the investors. It is a loser that way. It needs to be followed. We will help on that.

I want to thank you for your recommendations. I particularly appreciate your candor on the recommendations about the number—about black technicians and field representatives. I do not think that many of us are willing to appreciate the fact that what you have said is true, that a number of people in the black community just do not feel they get a fair shake at the dice, and they need people that can work with them. Whether that is true or not, you know, in many things it is not what is true that counts, it is what people think is true. And I would hope that we could press for this and get some results on it.

You will have our cooperation on it. I appreciate your testimony. Senator Curtis?

Senator **Curtis**. I would like to ask you if the activity that resulted from the invention, Smokarama, if there had not been a sale of that to this outside concern, do you think that the prospects for it to have continued as a manufacturing concern would have been good, or was it something that was going to go out anyway?

Mr. **Lee**. Well, I guess I will answer your question backwards.

Number one, it is not out. We are redeveloping the markets that we had. There is no question about it. We would have been further along with that particular item. However, we are able to employ more people at the present time with the furniture enterprise, too, which gives us an expanded, more diversified industry, and—well, I think the two can be developed right along.

Senator **Curtis**. In other words, the sale to the outside group was beneficial?

Mr. **Lee**. It was over-all beneficial. While it was harmful maybe to the cooker production, it was beneficial as far as the community and the—well, LeeFac in general as far as the furniture end of it is concerned.

Senator **Curtis**. That is all.

Senator **Humphrey**. Senator Bellmon?

Senator **Bellmon**. Mr. Chairman, I would like to thank Mr. Lee for taking time out to come and offer his testimony and I would like to ask—I believe you said you have 35 employees.

Mr. **Lee**. Yes, sir.

Senator **Bellmon**. And these are generally breadwinners. How many people do you suppose are supported by your payroll?

Mr. **Lee**. Well, just a regular rule-of-thumb, I would say four times 35. However, there are some husband-and-wife teams in our organization. Just guessing, and off the top of my head, I would say direct families, over 100.

Senator **Bellmon**. Now, these are 100 people who have stayed in Boley and in Okfuskee County because you have a job available for them, is this true?

Mr. **Lee**. Yes, sir.

Senator **Bellmon**. And if it were not for LeeFac, where would they probably be now?

Mr. **Lee.** Well, they would probably—a great bulk of them, if they—and many of them have stayed there—would be on some form of governmental assistance, welfare. Some of them have been commuting or were commuting to Oklahoma City for a job, that is, back and forth, while trying to work a farm job at the same time. I would say the majority of them would be on some sort of assistance.

Senator **Bellmon.** So your plant located in Boley is having the effect, then, of saving the taxpayers a substantial amount of money and reducing congestion in your territory. Is that your conclusion?

Mr. **Lee.** Yes, sir.

Senator **Bellmon.** Mr. Chairman, it seems to me that the fairly feeble efforts that the Federal Government has put forth to help this small new company get off the ground is being very richly paid through the contributions the plan is making and I feel we should pay particular attention to the recommendations made so that other plants may be able to do the same in other areas.

I thank Mr. Lee for his testimony.

Mr. **Lee.** Thank you, Senator.

Senator **Humphrey.** Congressman, do you want to make any statement?

You can rest assured that we will look into the problem that you have outlined for us and we thank you very much for your recommendations.

Mr. **Lee.** Thank you, Mr. Chairman.

Senator **Humphrey.** Thank you, Mr. Lee.

(Applause.)

We are very happy to have you here, Mr. Graham, and I want to thank you not only for coming, but for your patience.

STATEMENT OF ELMER GRAHAM, CHAIRMAN OF THE BOARD, GRAHAM DRILLING CO., TEMPLE, OKLA.

Mr. **Graham.** Thank you.

Senator **Humphrey.** Mr. Graham is chairman of the board of Graham Drilling Co., Temple, Okla.

Where is Temple?

Mr. **Graham.** In the southwestern part down around Lawton. You remember Lawton?

Senator **Humphrey.** Yes, indeed. How do you get along with those folks down in the southeastern part?

Mr. **Graham.** We get along with them pretty good. In fact, our county now is over in Congressman Carl Albert's district.

Senator **Humphrey.** We had a wonderful visit in Carl Albert's district in McAlester. Happy to have you here.

Mr. **Graham.** I know you gentlemen are running late and if I may, I will just maybe talk about some of the things that are right down in my district, my area.

Chairman Humphrey and members of the Rural Development Committee, welcome to the heartland of rural America. I live in one of those counties that Dr. Evans was talking about, one of those 38 counties that lost population. In fact, our count is about half the size it was in 1940, to us, and I guess all Oklahomans are honestly interested in rural America. If the Government really wanted to—why does not the Federal Government decentralize some of its activities out of the congested sea coast area?

Now, you are in a State today that has the largest Indian population in the Nation. Why could we not have the Bureau of Indian Affairs——

Senator **Humphrey**. By God, I am for you 100 percent. They ought to get that out of Washington now.

Mr. **Graham**. I would like to go into that a little bit later if I may. But you are in a State also that last year had $1.2 billion in farming income, second in the number of cattle, second in hard red winter wheat, and there could be some of the Department of Agriculture moved to Oklahoma. We would appreciate any of them; Department of Interior.

Senator **Humphrey**. Do not take it all now.

[Laughter.]

Mr. **Graham**. Just any part of it.

Senator **Humphrey**. Carl Curtis just kicked me under the table. [Laughter.]

Senator **Curtis**. Can we pick out what we send?

Mr. **Graham**. We would be proud to have any of it.

Senator **Curtis**. We have some in Washington who would be glad to be rid of it.

Mr. **Graham**. Now, our VoTech schools are good and I wish we had one in the little county I live in, but I think we should think about maybe teaching some of these trades in high school so our people could learn this skill and by the time they graduate they could participate. Not all our boys and girls are college material and just because they are not is no sign that they are not good people. They would make good citizens if given a little help.

I think we have put too much emphasis on education and not enough on hard work. You take also in these small counties, we have no domestic help, no practical nurses. Why not set up a school that would teach these people how to do domestic work, practical nursing, cooking? This is looked upon as downgraded work at this time.

Let these people graduate with some prestige and let them be paid a sufficient income.

Within the county itself, it would employ 2 percent of the people and this 2 percent could come off the welfare rolls.

Our late Senator Bob Kerr, you know, he had great vision and one of them was water, and we have a lot of water in eastern Oklahoma. We have enough water for the whole State of Oklahoma; if this water was pipelined or canaled over to western Oklahoma it would increase the population in western Oklahoma several times.

Our farm income, as I mentioned a while ago, was $1.2 billion last year and this is twice what it was in 1947. Yet our net income was less during this inflationary time and land has gone up about four times, and this was due to outside money, and when you put the pencil to what the old farmer made percentagewise, you probably would have to put a decimal point before you put a figure down.

As to our small farms, I think on those the Government should encourage industrial movements into small areas, on account of the small farmers, the margin farmers. In that way he could devote enough of his time, or his wife working in the factory, and he could have time enough left to do this farming, and this would encourage the people to move from the city back to the farm.

All the people I have visited with that I know that are living in the city now that used to live in the rural areas, and a lot of them that live in the city, seem to have one thing in mind, they would like to move back to where they could work and have a small farm. They always make this statement.

I do not know how many of them would really back it up, but it seems that this is what everybody would like to have.

You know, almost every time you see some different groups identifying the rural towns, it is usually 2,500 to 50,000 population. When you used a yardstick on this, in the upper group we just exclude three cities in Oklahoma, Lawton, Oklahoma City, and Tulsa, but on the lower group we exclude 500 towns in Oklahoma, and this is where we have lost the population, because I know: I live in one of them, the towns under 2,500 people. They are the towns that are hurting the most.

I think we should encourage these counties to get together and have one industrial site for the whole county. There is no use in one little old town in one area of the county bucking another one, and if the Government would just run interference, say, even with the 500 Fortune businesses in the United States, the big ones, the plants, if they would run interference with these little counties and try to locate these plants within them, we could get some plants. They have a way of doing these things and they could sure encourage it.

Gentlemen, I think that about covers everything but maybe the—I might get back to the risk problem.

I have several banks and I do not believe that I have an SBA loan that we have a payment on that is lagging, and this is only 25–75 percent, and if we go too heavy we get criticized by the banking departments. So if we had—if this could be set up in these small towns, a little bit more risk on a 10–90 basis, where the bank could participate a little bit more, if the bank is just taking 10 percent, we would not be criticized as much and we could take a whole lot more risk.

Getting back to this Indian Department again, I would like to give you a little example just how far we are from Washington, and we are not very far either, but I live in a county where we have 50,000 acres of Indian land. All the rest of the landowners pay their portion of the taxes, keep up the local government and the schools. I have never heard one landowner ever complain. But every time we have a community project, such as rural water district, and that is a good one, or an upstream control where the farmers participate at $2 an acre, and we cannot locate the Indian or the land is tied up in estate or 32 heirs, or tied up in the U.S. Supreme Court, the project after a few months just dies and the county dies a little bit right along with it.

We go to the Bureau of Indian Affairs and they say their hands are tied. We have a small—we have a house in a small town. The Indian lives in it until it is not fit to live in. He moves out. The town condemns the house. What does it do? It sits there. The Department says it cannot touch it.

I know one of the nicest homes in southwestern Oklahoma, there has been an Indian house right next to it for 10 years. It has been condemned. It has been vacant. Wildcats and varmints, grass knee to waist-high. The town cannot touch it and the Indian Department will not do anything about it because they say the Supreme Court has not settled who the heirs are yet.

I do not think there is any sense in that. There ought to be a way some way that the Bureau of Indian Affairs can handle these things because it just makes these community projects die. And I do not mean to be picking on any part of the government because I know—I have had a lot of experience with the FDIC and the banking department and they are run in district and they do a good job and I think it is because they hire responsible people, and they put responsibilities on their shoulders, but they do a good job, the district men.

Senator **Humphrey**. Thank you, Mr. Graham. I do not have any immediate response to your proposition or proposal. I do believe that the decentralization of government facilities—in fact, this is one of the things that is mandated in congressional statute, that the agencies of government are to consider in the location of new facilities the whole question of rural development and the dispersal of facilities into rural areas.

There is a constant tendency to keep these agencies in Washington. I think it is because we are still thinking that we do not have closed circuit television, computers, electronic means of communication. There is no need at all of having a lot of these government departments in Washington, absolutely none at all.

We moved the social security offices to Baltimore. It did not hurt it a bit. Some of the Federal Government insurance programs, veterans, are spread around the country and work very well. No reason at all we could not do that.

I want to thank you very much.

Senator Curtis?

Senator **Curtis**. You have given us a very fine statement. I shall not take time for any questions. You helped our record materially.

Senator **Bellmon**. Mr. Chairman, I would like to pursue one line of questioning with Mr. Graham.

Cotton County is one of the counties that has been caught up in this very serious drought we have had in Oklahoma during the past few years, is that not true?

Mr. **Graham**. Right.

Senator **Bellmon**. I know in your bank you are able to observe what this has done to the people in the area you serve. Could you give us a couple of things?

First of all, is the drought causing southwestern Oklahoma to lose any population?

Mr. **Graham**. Well, since you mention it, I will tell you one thing that happened, and you are familiar with it, and that is when you sent—you and Congressman Carl Albert sent these letters out outlining the different programs, we were very happy. We had an old boy come in there and he was a borderline case and we knew if we extended him credit to make another crop, we would probably be criticized and maybe his loan would be classified. So we would show him those letters, all the different programs you had, and some of them—I am talking about a good man and he would take them over to Farm Home Administration. He would come back and want to borrow those letters. On two occasions I confronted Farm Home Administration with those letters. Yes, they knew all about them, but they did not have that kind of program.

This old boy, he would come back, go to the city, get him a job. The amazing thing about this guy, he gets a good job because this kind of person, he has a reputation of really doing a good job at his work, performing to his best ability, so he gets a good job. He comes back, he sells out his farm, and he tells his friend, Joe, or his neighbor Harry, and he does the same thing. He gets him a job. So you lose a few people like that.

Now, we would have been better off in our county if we never had any drought disaster program at all, just on acount of that one thing.

There was some mix-up someplace in the Federal Home Administration. The letters that you all sent out were just alike.

Senator **Bellmon**. You are saying that the present Federal drought disaster program is not adequate for the needs of your area?

Mr. **Graham**. Well, the letters you all sent out have been real good, but it did not turn out that way.

Senator **Bellmon**. What would you like to see in the program that is not presently——

Mr. **Graham**. Well, when you have those borderline cases—I have lived in that county all my life and I know those people and I would like to make them a loan to make another crop. They are the right people. Maybe they are not the best managers in the world but, you know, I know you understand banking. If you go too far with an old boy and he does not have collateral, you just get criticized and your hands are tied.

Well, this is the kind of people that the Government can help. They could sure help.

Senator **Bellmon**. Now, Mr. Graham, here is the situation as I understand it. In Cotton County, for instance, you may go along with 4 or 5 good years and farmers get rain and everything is fairly prosperous and it is a stabie community. Then you catch one of these bad years which we have from time to time, which we will probably have again in the future. It is during that time when there needs to be something in addition to the local financing institutions that can help get these people through those periods of stress and keep them from migrating to the cities.

Is this the way you have analyzed the situation?

Mr. **Graham**. Well, yes; of course, a lot of it goes back to the fact of the net income they are making from the farm, and when they have good years they are just barely getting by and then when they have a bad year, that is when they think a about leaving the farm.

Senator **Bellmon**. Do you have customers that your are going to have to force out of business this year that you cannot finance again?

Mr. **Graham**. No. Luckily, we are not. We have some that we may get criticized for, but we are not foreclosing on a one of them. So far since I have been in the banking business, and that has not been but 8 years, I have not foreclosed on anybody.

Senator **Humphrey**. You are a kind-hearted banker. [Laughter.]

Mr. **Graham**. Not kind-hearted; just have not done it.

Mr. **Camp**. That is the kind of Oklahoma bankers we have, Senator.

(Applause.)

Senator **Humphrey**. Thank you.

Mr. **Camp**. I was in it 42 years and have not foreclosed on anybody.

Mr. **Graham**. Well, I hope I can say the same thing, Congressman, because I enjoy every bit of it.

Senator **Humphrey**. Thank you, Mr. Graham; we want to thank you very much for your appearance.

Mr. **Graham**. Thank you very much. I enjoyed it.

(Applause.)

Senator **Humphrey**. Again in this instance I want to make sure that all the testimony in the prepared statement is included in the record.

(The prepared statement of Mr. Graham is as follows:)

Mr. **Graham**. Welcome to the heartland of rural America.

According to the 1970 census, 38 counties in Oklahoma lost population. The migration from farms and rural communities to our larger cities and even out of State continues. This penalizes Oklahoma because our Oklahoma educated citizens are leaving their home towns to find gainful employment elsewhere.

There is one obvious, beneficial and, believe it or not, easy solution to aid rural America. If the Federal Government is honestly interested in rural America, then why doesn't the Federal Government decentralize some of its activities and move them out of the congested and problem riddled seacoast area.

You gentlemen sit today in a State with the highest Indian population in the Nation. Why not transfer the Bureau of Indian Affairs to Oklahoma. To a rural area. Start a whole new, modern community, if necessary.

You gentlemen sit today in a State which last year had a cash farm income of $1.2 billion. We are second in the number of beef cattle and Hard Red winter wheat production. In minor crops, we are first in mung bean production and second in broom corn production. Soy beans will contribute over $10 million this year. Why not move some activities of the Department of Agriculture or Department of Interior to rural Oklahoma. Some activity of Department of Commerce such as SBA could be relocated. In this day of instantaneous communications, no area is remote from Washington.

Rural areas should be assisted in planning and zoning on a county basis to be attractive to industry. Industry's primary concern is availability of labor; then quality or trainability. On going reports are published for large areas, defined as Standard Metropolitan Statistical Areas by the U.S. Bureau of Census. This is justified to serve the needs of industry, the changing patterns of the labor market and just the sheer numbers of people. But no such information is available for rural areas. Nor can it be provided economically on a continuing basis. Rural communities find it difficult if not almost impossible to know at any given time the availability of the labor force. If funds have been spent previously on a labor survey, chances are the figures are outdated. Some way should be devised to cover the cost of a thorough labor survey conducted for a specific prospect. Also, rural communities don't have a reservoir of skilled labor. But with proper help and assistance, area vo-tech schools can train industry's labor.

Additional vo-tech schools can train our young people and newly married couples skilled in the fields of mechanics, welding, refrigeration, carpentry, heavy equipment, and electronics. Our high school students could be taught many of these skills in school along with livestock, birds and fish, vegetable crops on a year round basis on small irrigation plots. With this type of background, it would make our young people able to participate upon graduation from high school. We must keep in mind that not all of our young people are college material, but because they are not doesn't mean they are not good citizens who if given a little help can do good work and make a good living. I honestly believe that too much emphasis has been put on education and not enough on hard work.

In the small rural counties a large percent of the population are elderly, there are no practical nurses or domestic help, it is looked upon as a downgraded work. Schools could be set up in each county to teach practical nursing, cooking and domestic help, so people could graduate from this school with some prestige and be paid a sufficient income. It would employ 2 percent of the population within the county and most of these people are on welfare at this time.

The late Senator Bob Kerr, with his foresight for large lakes in eastern Oklahoma, was a great asset to the area. The eastern part of Oklahoma has enough water for the whole State. If transportation was made available to transport this water through canals or large pipes to western Oklahoma, it would be the greatest thing that ever happened to the State. The large lakes in western Oklahoma have not been full in years. The drainage, evaporation and seepage makes these lakes not as desirable over the area as lakes of 20 to 80 acre size and I am talking about lakes that would cost between $10,000 to $20,000 with the farmer participating in the cost. Practically on every other section are suitable dam sites for small lakes. These would serve two purposes, put three times as many people back on the farm as 100 acres under irrigation would produce as much as a section in southwestern Oklahoma. Also, there would be truck farming as well as more livestock raised. The other thing that the small lakes would do is make the small towns in the area more desirable for the people to live in. This would be brought about by plenty of water for the town as well as boating, swimming, skiing and different kinds of recreation. The wildlife program could be carried out more desirably.

The Government should encourage the establishment of small industry in the small towns and rural areas of the Nation. This would enable the margin farmer or his wife to work in the factory and still devote enough time to their small farm to operate it. This kind of program would cause people to move from over populated cities back to the rural areas.

Our farm income in Oklahoma in 1970 was $1.2 billion. This was twice as large as in 1947. Yet our net income was less in the most inflationary time with the land prices having scaled fourfold due to outside money. This makes the farmer's return very small on his investment.

Large, massive expenditures of Federal funds are not necessarily the answer. But a flexible, fluid, fast moving mechanism is needed. Government funds are needed now to prepare the site just selected by the industry. The process for grants and loans should be simplified and speeded up. Government participation in providing municipal services such as water and sewer should be speeded up.

Much confusion exists in defining rural America. Many agencies of Government use different criteria. Some people class a town of 2,500 population as rural even though it is a bedroom community to a metropolitan area. Some class a town rural strictly on a population basis: 2,500 to 50,000. By that definition, on the upper basis Oklahoma excludes only three cities: Oklahoma City, Tulsa, and Lawton. On the lower basis, we would exclude approximately 500 communities that happen to need assistance the most. We are vitally interested in assisting our rural areas. To provide jobs where people are, some large companies, such as Sears, put plants where people are. They take the jobs to the people. In Oklahoma, when we talk of rural areas, we place no population limit. We are in fact talking about most of our State.

Senator **Humphrey**. Dr. Thomas Lynn. Dr. Lynn is professor and chairman of Community Medicine of the University of Oklahoma Medical School, Oklahoma Medical Center, Oklahoma City.

We welcome you, Dr. Lynn. We look forward to your testimony.

STATEMENT OF DR. THOMAS N. LYNN, CHAIRMAN, DEPARTMENT OF COMMUNITY HEALTH, UNIVERSITY OF OKLAHOMA MEDICAL CENTER, OKLAHOMA CITY, OKLA.

Dr. **Lynn**. Thank you.

Again, in light of the time, let me be as brief as possible and, with your permission, I will simply abstract what is in the written testimony already prepared and expand on only a few points in this.

Senator HUMPHREY. We will surely include all of it in the record.

Dr. LYNN. Thank you.

Senator HUMPHREY. We appreciate your observations.

Dr. LYNN. The University of Oklahoma Medical Center has as its primary mission education and continues to have this. However, in about 1964 the administration of the medical center felt that it should devote itself to the solution of some health problems other than just by the educational route.

One of these that presented itself in a major way to Oklahoma was, "Why are there not doctors in rural Oklahoma"? "Why are they leaving"?

We questioned some people who were returning to our residency programs for specialty training who had been out in rural practice and they would come back and say, "I cannot take it. I am on call 24 hours a day, 7 days a week. There is nobody to relieve me. I am trapped and I cannot stand it any longer."

They also tell us that they have no other professional colleagues to talk with, nobody with whom to have day-to-day conversations about whatever doctors talk about. This is why they return.

They also mention the community itself. They felt that the school system was not up to the quality which they would like to have their children's education to be handled through and lack of other cultural advantages.

Well, looking at this, the medical center felt that it could work with a small community to see if some of these problems could be overcome and get some medical care back to a community which did not have it. The community of Wakita presented itself and thereupon began a partnership which continues to this date.

The citizens of Wakita, via a local corporation, floated a self-liquidating bond issue and, with the help of the medical center, designed a facility to really be the kind a physician should like to practice in. It had under one roof a nursing home, an extended care facility, a nonsurgical hospital, a pharmacy and offers space for three physicians, offers space for people to extend the care of the facility out to the community such as a public health nurse and social workers, a small emergency room and a small obstetrical facility.

This happened. Things went along reasonably smoothly. The facility was opened in 1968 and recruiting for physicians to man this was undertaken and the first physician was recruited to begin practice there in 1969.

I might add that from the time that the facility was opened, they had round-the-clock medical coverage by faculty generally from the University of Oklahoma Medical Center, who drove 130 miles and stayed there for periods of time.

The future of Wakita now looks assured. It is functioning. It is providing good health care. It has had however problems in its development. Not the least of these has been Federal regulations regarding staffing patterns in health facilities; that is, in hospitals, nursing homes and such as that.

For instance, we have to have two directors of nursing, one for the nursing home and one for the hospital, and they may both be there at the same time even though they are working out of the same nursing station.

Senator **Curtis**. May I ask a question right there?

Dr. **Lynn**. Yes, sir.

Senator **Curtis**. Is that required by statute or is that by regulation?

Dr. **Lynn**. It is by regulation.

Senator **Curtis**. They ought to tear it up. That is just ridiculous.

Senator **Humphrey**. We have the same problem at home.

Dr. **Lynn**. We feel like it is ridiculous.

Senator **Curtis**. Congress has given them no authority to promulgate regulations like that.

Senator **Humphrey**. I told a doctor at home in a hospital, I said throw that bum out when he comes in. I mean the inspector. Kick him out. Do not pay any attention. He is just a guy who does not know what to do. A young lawyer who wrote up some special regulations.

Dr. **Lynn**. I wish we could do that.

Senator **Humphrey**. Well, my doctor did. I do not know what is going to happen to him, but seriously, that is a sad thing that you are telling us.

Dr. **Lynn**. Other problems have been the initial location of Wakita, the town itself, which is not on a transportation hub and, had we to do it over again, we either would have picked a different town to work with or else moved Wakita, one or the other.

It is difficult for other people to get to. This has somewhat inhibited its growth.

The intertown rivalry has been a problem. The populace of a town 12 miles away did not really wish to come to Wakita because Wakita acquired something they did not have. This is now breaking down and I think is coming along very nicely.

The medical center is now, with the new Federal legislation regarding HMO's, interested in approaching a second area of the State which presents a different sort of problem, that is, an area in which there is considerable poverty, the southeastern area of the State into which Weyerhaeuser is going. This is using the HMO approach, that is, the health care corporation, with physicians, physician assistants, and the population or citizens of the community forming a corporation, with financing on a prepaid basis.

We feel like this presents an opportunity to demonstrate that this can be carried out in a very poor part of the State.

Problems which we anticipate in that area are, one, the management expertise required to set up and manage a health care corporation which physicians do not have, which by and large does not exist in the community in which this was planned.

A second problem in this area again is regulatory and this has to do not only with State regulations, but also regulations from private industry such as Blue Cross, Blue Shield. That is their current method of payment on a fee-for-service basis emphasizing inpatient services. This becomes a problem in designing the health maintenance organization to begin with. This we feel can be overcome. Either legislation or changes in regulation could help such projects as this along.

Senator HUMPHREY. The emphasis is not on outpatient care, but inpatient care, fee for service?

Dr. LYNN. Fee for service is what is encouraged now.

Also, the current way in which Blue Cross, Blue Shield operates, encourages hospitalization of patients, which is really the most expensive part of health care, rather than doing this on an ambulatory basis.

In summary, I would make the following recommendations to you:

(1) That small rural medical centers be set up only on a regional basis, relying on transportation to bring the people to a center where minimum of three physicians may practice together, and that reliance on solo practitioners in very small towns be discouraged;

(2) That increased attention be given to the role of other members of the health team (i.e., physician's assistants) in the expansion of physician services, particularly in rural areas;

(3) That some sort of enticement be designed for physicians who go into rural practice, such as initial income augmentation, deferment from the draft, et cetera;

(4) That university medical centers be encouraged to devote more of their attention to rural health care; (*a*) regarding of primary care; (*b*) regarding the augmentation of continuing education programs for physicians in rural areas;

(5) That a careful look be taken at State and Federal regulations which inhibit development of innovative local solutions to problems, and that greater flexibility be allowed in this area.

Thank you very much.

(Dr. Lynn's prepared statement is as follows:)

Dr. LYNN. Wakita, Oklahoma is a community of 450 people, located in northwestern Grant County in the State of Oklahoma, approximately 130 miles north of Oklahoma City. It lies in a wheat-growing area, and is the center of a small trade area with approximately 8,000 people within a radius of 15 miles. The population density of this area is approximately 12 persons per square mile. The sex distribution is estimated at 53 percent female and 47 perecnt male; approximately 31 percent of the population is under 19 years of age with 18 percent of the population being 65 years old or over. The per capita income for Grant County is reported at $4,604.00.

In 1964, the town's only physician departed leaving the community with no M.D. within 30 miles. They soon began searching for a new physician, however, they were unsuccessful in this effort. In 1965 the plight of this area was made known to the University of Oklahoma Medical Center, and a plan was formulated jointly by the medical center and by a group of citizens in Wakita. This plan came to be known as "Project Responsibility." The people of Wakita by means of a $450,000 bond issue and with the planning assistance of the medical center, designed and built a health facility embodying the latest in concepts of health care. This health facility contains under one roof a model nursing home, extended care beds for those patients who have recently been discharged from acute care hospitals, a small number of beds for more acute but nonsurgical illnesses, an emergency room, an obstetrical delivery room, laboratory and X-ray facilities, physician offices, an outpatient clinic facility and a pharmacy. It was designed to be the physical structure for an outstanding and comprehensive health care system for the people of that area. Not only was it designed to meet the needs of those patients with chronic illness requiring care in a nursing home or extended care facility, but also to provide for uncomplicated obstetrical patients and patients with nonsurgical illness. It was also planned to be the center of an area of preventive medical program, aimed at preserving the healthy state. It was planned to have on the staff of the facility not only the usual hospital, nursing home and extended care personnel, but also the services of a visiting nurse and a social worker who would extend the services of health facility to the homes in that area.

The Community Health Center of Wakita, Okla. opened its doors in 1968, and within a year, a full-time physician was found and has been there since that time. Staffing is complete except for additional physicians and the full-time social worker and public health nurse to extend the services to the community. The University Medical Center has a great stake in this enterprise; aside from the obvious feature of demonstrating that quality care can be provided in a somewhat sparsely settled rural Oklahoma community, this type of medical facility provides fertile soil for further research and demonstration in the field of health care. The university maintains a close relationship with this facility and indeed, for educational matters it is an extension of the University of Oklahoma Medical Center. The physician in the clinic is a faculty member of the department of community health at the medical center. It is planned in the future to have residents from the family medicine clinic of the department of community health spend periods of time at the Wakita Center as a portion of their residency training, and it is planned that physicians at the Wakita facility will return periodically to the medical center to partake in the educational offerings of the various departments. Similarly it is planned that the pharmacy will serve as an educational arm of the school of pharmacy, in which a pharmacy intern may become skilled in both outpatient dispensing and the dutie sof pharmacists who find themselves affiliated with hospital facilities.

The school of health at the medical center uses this facility as a focus of investigation into many aspects of rural health problems. The facility and its surrounding community should provide the possibility of experimentation with new and exciting methods of financing health care, including preventive services.

Although the future of the Community Health Center of Wakita now seems assured; there have been problems in its development. These problems are not unique to Wakita and can be used to represent the problems in the acquisition and maintenance of health services experienced by many rural communities throughout the country.

It was felt that a minimum of two physicians and very possibly three should staff this facility, and that this should ameliorate the all too frequent complaints which we hear from physicians who are leaving rural practice, that they cannot tolerate being "on call" for 24 hours a day, 7 days a week. It was hoped that with two or more physicians, the physicians time could be arranged such that scheduled free time was available for all. A second complaint which is heard from physicians leaving rural practice, is that they can not tolerate the isolation from the remainder of the professional community. Again, it was felt that having the two to three physicians in a cluster would provide the necessary professional stimulation which would make the provision of health services in a rural area more palatable. Further, it was hoped that the affiliation with a teaching medical center and the provision of guaranteed free time to return to the medical center would assist in overcoming this obstacle. Other complaints heard from physicians returning from rural practice were related to the rural community itself, that is, the lack of cultural advantages, and the inferior quality of the school system.

To date, the Wakita project has been a moderate success, the center is ongoing and is providing quality care to that rural area. It has, not, however, built the population it serves up to a point where a second physician is needed and there is concern that because of this, the first physician may, at sometime in the future, depart. Although the center is now fiscally self sustaining insofar as day-to-day operation goes, it has not generated sufficient income to began retiring the bonded indebtedness, although this is predicted for the near future. Because of the marginal financial situation, the services of the public health nurse and social worker which were largely to be preventive in nature have not been acquired.

As I see the situation at this time, the problems which have been encountered which have inhibited the development of this center are as follows:

(1) The location of the center off of a main highway thereby making transportation to and from Wakita less convenient.

(2) Certain Federal and State regulations concerning staffing paterns for hospitals, nursing homes, and extended care areas which inhibit innovating design.

(3) Intertown rivalry.

(4) The isolation of the community itself.

THE H.M.O. APPROACH

There is, at this time, active consideration of a second rural health care facility in a different portion of the State, that is, the far southeast which is an area of insular poverty. Current consideration would indicate that there should be formed a health care corporation composed of physicians, physician's assistants, and members of the community which would form a small medical center located at a transportation hub which would provide comprehensive primary health care services with referral of complicated diagnostic and therapeutic problems elsewhere on a contract basis. It is planned that the center would also contract with the State health department for delivery of health department services in that area, and with the Veteran's Administration for the provision of outpatient care for veterans in that portion of the State who would normally have to travel approximately 100–150 miles for the outpatient services.

Although this center is now only in a speculative stage, two problems appear; one having to do with accounting and business management expertise needed to develop a "prepay" system, and second, the lack of flexibility in the manner in which many third-party agencies and companies pay for medical services, that is, on a fee-for-service basis only and then only for inpatient services. It is apparent to us that further study of the management systems must be done before such a project can be started, and that payment study of the management systems must be done before such a project can be started, and that payment for medical care must be done using a prepay mechanism.

RURAL HEALTH CARE

I would make the following recommendations to you:

(1) That small rural medical centers be set up only on a regional basis, relying on transportation to bring the people to a center where minimum of three physicians may practice together, and that reliance on solo practitioners in very small towns be discouraged.

(2) That increased attention be given to the role of other members of the health team, (i.e., physician's assistants) in the expansion of physician services, particularly in rural areas.

(3) That some sort of enticement be designed for physicians who go into rural practice, such as initial income augmentation, deferment from the draft, et cetera.

(4) That university medical centers be encouraged to devote more of their attention to rural health care: (*a*) regarding teaching of primary care; (*b*) regarding the **augumentation** of continuing education programs for physicians in rural areas.

(5) That a careful look be taken at State and Federal regulations which inhibit development of innovative local solutions to problems, and that greater flexibitity be allowed in this area.

Senator HUMPHREY. We thank you, Dr. Lynn, and I want to particularly thank you for your recommendations at the end of your testimony. I am sure that all of us here as Senators are aware of the different efforts that are being made by our respective university medical schools. I am familiar with the one that is being made in the University of Minnesota with a great deal of attention to rural health care in small towns.

I just visited about 2 weeks ago a center similar to the one that you have discussed in which you had a nursing home, in which you had an emergency ward, some obstetrical services, public health officer, and so on, an excellent center where there were three doctors, just the pattern you are talking about. But that center had the very same problem you are talking about in terms of Federal regulations and the doctors met with me as did the director of the health facilities. This is not the one I was referring to. The one that I referred to was out here in South Dakota.

My mother is in a nursing home out there where there is a doctor that lives here. He is a wonderful doctor and he is in constant attention. He lives right there. The government had some kind of a dizzy regulation, that they ought to have another doctor or two around, and this old doctor, John Chedder, lived there all the time, does more work than five doctors do anyway. Since my mother was there, I just told the agent of the government to get out, take care of my mother, that I knew more about her than he did.

It worked for a while. I do not know how long it will work.

I think together we will be able to do something about that, but these recommendations are very, very important.

I want to ask you about the use of the new technologies.

Dr. LYNN. Yes, sir.

Senator HUMPHREY. For example, one of the proposals that we have had is to use the pharmacy, for example, as a health—what they call a health center, where you can use closed circuit television, computer technologies, where there can be some basic instructions come out of a regional center to that pharmacist, who is the primary health officer, and then by rapid transportation be able to get this patient back into a health facility.

Also, the use of computer terminal links with a small-town doctor's office and university medical staff.

Have you given thought to that?

Dr. LYNN. We have given considerable thought to this. As a matter of fact, we were looking very hard at it for the Wakita area. That is, a computer link coming both out of Wakita and another small town.

We feel that, first it was too expensive. It looked to us like on a fee-for-service basis one could not possibly justify charging what it would cost to establish this kind of thing. It would never pay for itself.

Second, people in rural areas are just like people in the city and they like to have a health person there who knows them and who is at least around and available on a 24-hour basis, not somebody who drives out from someplace to an office 20 or 30 miles away. And I do not think that a felcher system, that is, having somebody less than a physician doing other than let's say preventive medicine or screening kinds of operations, triage, perhaps, is a good answer to the problem. I think he may go out there and do these things. I think that is fine. But as far as getting primary medical care, attention to illness problems, I think probably the best solution for the rural areas is a regionalization. I really do.

Senator HUMPHREY. What I was directing my attention at was really much more limited than that. My father was a pharmacist, for example. Frankly, Dad took care of more patients than most doctors did. He was pretty good, too, but I do not think we would ask him to do any surgery or any major medical consultancy, but most people are not sick anyway when they come in. They just need to talk to somebody. When you are a druggist, you find that out.

But there is a chance, it seems to me, to use paramedical personnel of a type for a very limited function, but not for very real medical attention.

Dr. LYNN. Yes, sir; not for disease care.

Senator HUMPHREY. Yes.

Dr. LYNN. That is, sophisticated disease care.

Let me say one other thing. Although it is said I think frequently that we do not have enough doctors, I doubt seriously that this is really true. I think there is a tremendous maldistribution of physician manpower, and also the use that people put physicians to is not good. Some public education needs to be done in this area to know what to use a physician for and what you use somebody else for.

Senator HUMPHREY. Senator Curtis?

Senator CURTIS. Just briefly. I have a situation laid before me from a town in Nebraska, very nice little town, probably less than a thousand. They have a very dedicated doctor there. He is willing to stay there and serve the people 24 hours a day, seven days a week, but he is 70 years old. He would love to serve out his years there taking care of the people that he knows and loves, but he says he will not at the end of the day spend 3 or 4 hours making out Government reports and that he is going to take retirement.

Now, I am for him. I think he is a much more valuable citizen curing people than making out reports that nobody reads. I think one of the greatest services that ever happened to the people is to get Washington off their necks. Most of their regulations are no good.

Dr. LYNN. Here is one way in which computer technology could help. I think if each patient's visit, physician-patient encounter, office visit, call it what you want to, could be logged in on a computer, that is, diagnosis, medication, bill and who to bill to, and this go into a central computer terminal, that could do the billing for medicare to the State people.

Senator CURTIS. No. It is not the billing. It is the reports for the Government.

Dr. LYNN. I know, but——

Senator CURTIS. Medicare wants to know——

Dr. LYNN. But this could also serve medicare.

Senator CURTIS. Time for the patient is the important thing.

Dr. LYNN. But if this could be put into a computer terminal out in his office, done centrally on a computer bank, all these reports could be filed automatically, plus if this same patient showed up in an emergency room in Lincoln and he had his little number with him, that could be plugged into the computer and——

Senator CURTIS. I realize it would be helpful if he goes to another doctor, but if he gets well, what difference does it make what is in the computer.

Senator HUMPHREY. The problem is a lot of the people are not as honest as the nice doctor you had on medicare. They cheat a bit.

Senator CURTIS. We have some communities that do not do quite the right thing in keeping a doctor. The Chamber of Commerce under a business promotion idea—seeks a doctor, to bring more business to the town, to keep the drugstore, and so on. They provide some inducements for a young doctor to come there, and everytime they have a bruise or a scratch they go to him but the same individuals who promoted getting the doctor in, go out of town for more important matters.

Dr. LYNN. They use the specialist 50 miles off.

Senator CURTIS. Yes, and it is not just the loss of his fee. It breaks——

Dr. LYNN. It breaks the relationship.

Senator CURTIS. Self-confidence.

We have a number of very fine communities that are served by one doctor. I would hate to see that——

Dr. LYNN. I think this is going, though. I think it is an inefficient way to take care of people really.

Senator CURTIS. Well, I would hate to have everything run efficiently. There is a human element.

Senator HUMPHREY. Carl, we are getting closer together all the time. [Laughter.]

Senator Bellmon?

Senator **Bellmon**. Doctor, just one quick question.

Based on your testimony, you appear to be recommending that something similar to what was done with the establishment of the vocational technical school districts in Oklahoma be established as far as setting up rural health clinics. You know, when we put together the plan for the VoTech schools, we required that the area have at least 40,000 people, and I believe a $40 million valuation.

Are you suggesting that there be some kind of a Federal matching fund for a rural clinic if it will serve a population large enough to justify three doctors and the paramedical people that it requires?

Dr. **Lynn**. I am not sure I would make the exact parallel, but some kind of encouragement should be given toward this. I would say a minimum of three physicians serving a population of ten thousand people, or seven thousand might be more accurate, that sort of thing be encouraged rather than what Hill-Burton has done in the past, and that is go out and help with the financing of hospitals in communities of 1,000 population where there is no doctor or the doctor is 70 years old or something.

We have monuments all over Oklahoma that Hill-Burton built that are empty.

Senator **Bellmon**. Would you put together a reasonable set of specifications that you think would help identify a viable community for the creation of one of these Federal——

Dr. **Lynn**. A viable health district?

Senator **Bellmon**. Yes.

Dr. **Lynn**. Okay.

Senator **Bellmon**. Would you do this?

Dr. **Lynn**. Yes, sir.

(The information is as follows:)

RURAL HEALTH CARE

That the quantity and frequently the quality of health services available to vast reaches of rural America is insufficient, appears at this time to be accepted by most. At least some of the reasons for the inadequacies also appear equally obvious. Although, I shall be referring for the most part to physicians, the statements can be applied to a somewhat lesser extent to other members of the health professions.

I. The physician-patient ratio in rural areas is significantly less than in urban-suburban areas of the United States. This is occasioned not only by failure of young physicians or recent graduates of educational programs to go into rural areas to begin their practice, but also due to physicians already in practice in rural areas leaving to return either to various educational programs leading to specialty careers or to urban areas where association with other physicians, etc. are available. This sort of physician and health personnel behavior regarding practice in rural areas appears to be strongly related to a pattern of solo practice which has developed in rural areas over many years and which has not changed toward group practice to the extent that it has in urban areas. The phenomenon of group practice relieves the physician of the burden of being continuously on call 24 hours a day, seven days a week, and makes life generally more pleasant while providing for a continuity of medical care for the patients of the "group." The group practice also makes available to the physician easy consultation with his colleagues, which is considered a distinct plus by most who practice medicine. Other reasons for physicians not returning to rural areas include the real or imagined difference in quality of life that he perceives between the urban and rural setting. In small towns, he notes an inferior education for his children and a paucity of recreational features such as theater, symphony, museums, evening entertainment, etc., to which he has become accustomed during his training which by and large has occurred in relatively large cities.

II. There has been a general trend of population migration from rural to urban areas leaving many health facilities partially vacant. With an inadequate population to support an already existing facility, its continued operation becomes uneconomical.

A suggested solution for this would be a rural program for medically underdeveloped areas.

1. Rural Health districts should be formed in areas in which certain things could happen that do not happen in the remainder of the country regarding the provision of health services. The Kaiser-Permanente Organization found that approximately one physician per 1,000 population is sufficient to provide comprehensive care. In this situation, however, we are concerned with primary care with referral of specialty problems into a urban area. It would, therefore, appear that an approximate physician-population ratio should be one physician per 2,000 population. Reliance on transportation of the patient to the physician should be sought rather than putting physicians' services on an isolated and dispersed pattern. These should be arranged so that the center of practice for a group of physicians is no more than approximately 30 minutes by ground transportation from the furthest patient that it serves.

2. In rural health districts, encouragement could be given physicians to begin practice by:

(*a*) Deferment from draft for as long as they continue to practice in this district.

(*b*) An income tax write-off.

3. Physicians, in order to qualify for these benefits for returning to rural practice, should, if possible, develop an association with a minimum of two other physicians such that easy consultation is possible, and evening, nighttime and vacation coverage can be obtained.

4. In this rural health district, staffing patterns in health facilities, i.e., (nursing homes, hospitals and extended care facilities) should be sufficiently flexible so that maximum advantage may be taken of available health personnel. These facilities should not be required to meet all of the criteria generally required regarding personnel staffing patterns.

5. Also, in the rural health district, special provisions should be made for continuing professional and general education of the health personnel, via extension divisions from universities for the general education and from university medical centers for the continuing health education.

6. More extensive use should be allowed for other helping personnel such as the physician assistant. It is quite possible that intelligent use of these people will decrease somewhat the absolute number of physicians needed in any particular area.

7. As a part of this general program, increased encouragement should be given to university medical centers to develop educational programs which emphasize primary health care delivery, rather than education which, per se, leads toward an ultimate specialty choice.

Senator HUMPHREY. Thank you very much. We are so grateful to all of you for taking the time that you have today. As you can see, we have our own points of view around here. We all enjoy our own prejudices. It is one of the delights of life. But we also enjoy listening and hearing good constructive thought which we have had aplenty today. I think we have had many innovative ideas.

I want to thank you, Doctor, and other witnesses.

This is our final witness.

We have a statement from Dr. Lloyd E. Church, Latimer County, Wilburton, Okla., which we will include in the record.

We also have a statement from George Stone, president, Oklahoma Farmers Union, which will be made a part of the record.

In addition, we have a statement from the Cherokee Hills resource conservation and development project, and a statement by the Farmers Home Administration.

(The documents are as follows:)

STATEMENT OF DR. LLOYD E. CHURCH, WILBURTON, OKLA.

Mr. Chairman, distinguished committee members and friends: I am Lloyd E. Church, dentist, Latimer County, Wilburton, Okla.

On behalf of the people of Oklahoma I want to thank you distinguished gentlemen for coming to Oklahoma to hold this all important and needed Hearing.

I have been an active advocate of rural development for more than forty years, and for the past twenty-six years have served as a Soil Conservation Service District Supervisor in both western and eastern Oklahoma. I have been a member of the Oklahoma Water Resources Board since its inception in 1957, and have worked with the four-state area of the Ozark Regional Commission on Rural Water Resources Development, therefore, my knowledge of rural problems and needs is firsthand.

In 1914, 1915 and 1916 I began to notice boys and girls who were my friends and acquaintances in Dewey County, Seiling, Oklahoma, were beginning to migrate to the larger cities and towns in Oklahoma and surrounding states for better opportunities. To this day the migration of our youth from the small towns and rural areas have continued.

It is my feeling that rural America has helped make these United States a great Nation. Today we continue to depend upon rural America to produce the food and fiber that we need.

My observations throughout these years have been that private capital and industry, and even our federal government, was reluctant to invest capital in small towns and rural communities. Today the complexities of our larger centers almost deem it necessary that we give some consideration to the development of our small towns and rural areas whereby the aforemention financing could make attractive these areas wherein people would like to live.

More recently the federal government has begun to realize that the develop ment of rural America with the resulting redistribution of the population is a workable solution to many of the problems within our inner cities. The migration pattern from rural to urban areas can be reversed by providing jobs and opportunities within the underpopulated but attractive rural areas. It has been my experience that the majority of the smaller communities are actively encouraging the industrial growth which would provide the needed opportunities and incentives.

There are three basic needs in the development of our rural areas which are prerequisites to the growth of any community—these are roads, streets and an adequate water supply.

We have an excellent highway system in Oklahoma but we do not have enough exits onto hard-surfaced county roads. A county road program could be developed by the county commissioners with the assistance of the State Highway Department.

If more of our natural resources had been developed heretofore we would still have country schools and small, progressive towns and cities, and the large centers of population of these United States would not be as complex as they are today.

No community can develop and grow any more than its water supply will permit. An adequate water supply would provide for the present needs but should also include surplus waters to accommodate and allow for expansion.

The larger cities of our state grew and prospered because of an adequate water supply. Many of our towns stay small because, to this day, they do not have access to sufficient water.

The Oklahoma Water Resources Board, with the assistance of the Corps of Engineers, Bureau of Reclamation and the Soil Conservation Service, is developing a plan to move water from eastern Oklahoma, an area of abundant supply, to the water short areas of western Oklahoma. The plan considers transporting only the surplus waters above the one hundred-year projected needs of the area of origin to western Oklahoma to meet present and future deficits. The projects required for development would also serve the needs within the area of origin.

The poor geographical distribution is only one of the problems providing adequate water supplies throughout the state. The second problem is the financial inability of small communities to develop a long-range future water supply.

The impoundments of water in farm ponds with greater surface area and depth, plus multiple-purpose detention reservoirs could be developed by the State Soil Conservation Commission Districts for the water supply in these communities.

The Farmers Home Administration and the Agricultural Stabilization and Conservation Service, together with the assistance of the Ozarks Regional Commission and Forestry Department, all have programs which could help in much of the financing or development of rural areas.

Mr. Chairman, what I am attempting to say to you and your committee is that we have all of the necessary agencies both state and federal, including our universities and colleges, to develop rural America. I am aware of this tremendous task and the great financial cost, and our federal government cannot continue to supply all of the money that we need, but funds could be appropriated for a revolving fund whereby we could complete the needed improvements and pay back the money, with interest, that was loaned to us by our government. Perhaps it should be the responsibility of the state. The State of Texas, for instance, with their larger financial capability, does have a successful program of this nature. Oklahoma and the other surrounding states, however, do not have this legislative authority and probably do not feel they have the financial ability to provide an adequate revolving fund.

Mr. Chairman, we need your support in this program, either financially or through legislation which would encourage the states to develop their own program.

GEORGE STONE, PRESIDENT, OKLAHOMA FARMERS UNION, OKLAHOMA CITY, OKLA.

Mr. Chairman, Members of the Committee: I am George Stone, President of Oklahoma Farmers Union. I am pleased to have the opportunity to testify today on rural problems and rural development.

Senator Humphrey, I want to express my appreciation to you and your Rural Development Subcommittee for scheduling this field hearing in Oklahoma. The State of Oklahoma increased in population by almost 10 percent from 1960 to 1970, and in this sense did somewhat better than our neighboring states to the North. Nevertheless, the rural people of Oklahoma—making up almost ⅓ of the State's total population of 2.56 million—did not fare well during the decade of the 1960's. As in other areas of the Nation, there is a clear need for bolder measures for rural revitalization in Oklahoma.

Mr. Chairman, at the outset I would like to associate myself with the testimony presented to your Subcommittee by Tony Dechant, President of National Farmers Union, in Washington on June 16.

Among other recommendations, Tony Dechant called for the establishment of a Rural Development Credit Bank to help to supply capital financing for rural development. Up to this point, we have relied upon the Farmers Home Administration and other basically *agricultural* credit institutions as the source of loans and grants for non-farm rural development programs. A separate Rural Development Credit Bank could take some of the load off farm credit institutions, so that these agencies can concentrate on supplying badly-needed credit to farmers.

This need for a separate financing unit for rural development is particularly necessary as the government seeks to encourage *industrial* development to provide non-farm jobs for rural people. Payment of incentives to industries to locate in rural areas is expensive.

Furthermore, this approach to rural development clearly serves the interest of urban, as well as rural areas, by relieving population pressures on the cities. Consequently, financing of industrial development should be supplied by *general* credit sources—such as a Rural Development Bank would draw upon—rather than by *farm* credit institutions.

The Consolidated Farm and Rural Development Act, introduced in the Senate on July 7 by Senator Humphrey and 43 co-sponsors, would establish a new system for financing rural development essentially along the lines recommended by Tony Dechant. Mr. Chairman, we appreciate your initiative in introducing S. 2223, and we pledge our support for this important legislation.

We support enactment of S. 2223 not only because it will bring "new" money and credit into rural development. We also support the bill because it is designed to strengthen the U.S. Department of Agriculture as the Cabinet-level agency primarily responsible for rural and farm well being. In a real sense, we look upon your bill as an alternative to the President's proposal to abolish the USDA and scatter its functions among four departments of the national government.

With the farm parity index now standing at 70, the lowest level of farm prices since the Great Depression—farm programs *deserve* representation in the

President's Cabinet. Certainly this is not the time to relegate farming to a sub-Cabinet status.

Oklahoma Farmers Union urges enactment of S. 2223 by the Congress, in order to gear up the Department of Agriculture for a more effective attack on both farm and non-farm rural problems.

If the Farmers Home Administration is relieved of some of its non-farm rural development responsibilities by the new units established by S. 2223, the new **Farm Development** Administration can then concentrate on helping small and young farmers to improve their operations and stay on the farm. The delegates to Oklahoma Farmers Union's most recent annual convention adopted the following policy statement on loans to young farmers:

"Farmers Union urges that the Farmers Home Administration provide reasonable long-term loan rates to young farmers who want to start farming."

In this way, FHA (or the new Farm Development Administration to be established by S. 2223) can help to strengthen family farm agriculture.

If rural development is to be truly effective and lasting, it must be based upon a foundation of a strong and viable family farm agriculture. Farming is the number one business in rural America, and farming is the number one activity for generating the income of bankers, grocers, implement dealers, and others in rural communities and small towns.

The delegates to Oklahoma Farmers Union's state convention adopted the following resolution on family farm income:

"We favor the enactment of legislation that will provide 100% parity income protection on all farm commodities produced by family size farmers."

Such legislation, if enacted, could indeed be a giant step forward toward sustainable rural revitalization. If this was combined with stronger credit, bargaining, and other legislation to strengthen family farm agriculture, we would truly see a blooming of the rural countryside.

Mr. Chairman, I know that your Subcommittee does not have direct jurisdiction over farm credit, price support, credit and related policies. However, I also know that you and your Subcommittee want to develop and enact a program of rural renewal that will be more than a short-run showcase. We all want a true greening of rural areas; we want viable rural economies in Oklahoma and other states.

We firmly believe a prosperous family farm pattern of agriculture is essential to this kind of rural renewal. That is why I have placed such emphasis on the agricultural component of rural development today.

Thank you.

STATEMENT FILED BY THE CHEROKEE HILLS AND OUACHITA MOUNTAINS RESOURCE CONSERVATION AND DEVELOPMENT PROJECTS

Honorable Senators Humphrey and Bellmon, Ladies and Gentlemen: the Cherokee Hills and the Ouachita Mountains RC&D Projects, incorporated, appreciate the opportunity to testify before this important committee on rural development.

The two Resource Conservation and Development (hereafter referred to as "RC&D") Projects have combined efforts and have asked me to present this statement of position, representing both RC&D Projects.

The RC&D Projects recognize and are devoted to acceleration of the natural and human resource development in 13 counties in eastern Oklahoma. The counties are primarily rural. The projects cover approximately 8 million acres of land and encompass some 257,000 people.

The RC&D projects are sponsored by Conservation Districts, incorporated towns, county commissioners, and several other local entities of county and state government. We are assisted by various committees which are appointed by sponsoring organizations. These committee members are non-paid volunteer citizens representing various community and county organizations. Federal and state agencies have been represented at many of our various meetings and lended valuable assistance.

In our statement regarding position, we feel rather strongly about the following:

We do not feel a need for new agencies. We do feel to eliminate overlap of existing agencies.

We do not believe that a host of new programs are needed. Rather, we feel the existing programs should be better geared to fit the needs of the grass-root citizens and smaller communities. We do feel that additional financing of existing programs is needed and that such financing should not be in the administrative area—it should be in the application area.

We desire the revision of Public Law 566 to better meet the needs of our people and reduce the timetable involved and broaden the objectives of the program. Additional funds are needed for this program.

We do need the Ozarks Long-Term Conservation Contract Program enacted as law and funded. We do need acceleration of funds for tick control. We do need acceleration of funds for RC&D project measures. We do need acceleration of cost-sharing for conservation practices through ASCS. We do need acceleration of loans at the government borrowing rate through FHA to match cost-sharing programs.

We need an improved delivery system so that money from various federal sources will reach the grass-roots rather than be absorbed in various agency administration costs.

Poor counties or individuals can not match federal funds where 20 percent or more local money is required. The 20 percent is hard money at the local level. Most towns and counties are indebted to their maximum limits by state laws, already. County government has been by-passed far too long and too often with federal spendings. We have been studied and planned and re-studied and re-planned without the desired action. Additional surveys and planning are not needed.

Grants-in-aid money has been mostly wasted because it has not reached the people or smaller communities that need the help. Federal money cannot reach the grass-roots in rural areas and small towns until it comes to the county general fund. The County Commissioners are elected by the people. Federal agency personnel are not. Our people can not afford to vote mills and pay additional taxes and in most cases are taxed to the law limits already. Current thinking is opposed to additional new taxes.

Millions of dollars have been poured by the federal government through various departments into counties without the desired effects, mainly due to administrative costs and inadequate delivery system.

The federal government can not supersede local government and reach the grass roots. It has been proven and it has not worked, and is not working now.

USDA agencies have helped, but we need additional tools, funds, and an improved delivery system through local government. Conservation Districts, county commissioners, and RC&D committees can and are reaching the grass roots. We feel strongly that the RC&D concept and approach should be strengthened and enlarged because it is designed to reach the people.

We have for the record the following: A copy of our by-laws, constitution, articles of incorporation, concept, work plan, etc. that we desire to file with this committee in addition to the presentation I have just made.

Thank you very kindly for the privilege you have extended to me to testify before this very important committee today. I am certainly hopeful the material I presented to you will be helpful in guiding decisions and shaping the rural development policies of our great nation for the coming years.

Statement of Spudds Widener, State Director, Farmers Home Administration, U.S. Department of Agriculture, Stillwater, Okla.

RURAL DEVELOPMENT IN OKLAHOMA, JULY 1, 1970 TO JUNE 30, 1971

During this year assistance to rural families of Oklahoma was greatly increased. The total volume of loans and grants increased from $55,075,000 during the previous year to $83,912,294 for this year. Housing assistance has increased 50% during the past year.

A major drouth occurred in the western half of Oklahoma during the past year. This created heavy demands upon our personnel and made it necessary for several temporary changes in personnel assignments to meet this added demand for credit. Despite a shortage of personnel to meet the extra demands for credit caused by the drouth, we have been able to keep current with these demands without undue reflection on the other phases of the Farmers Home Administration program in Oklahoma.

An active public relations program has been maintained in order to make Farmers Home Administration programs known to the people who need the services and to the general public. Members of the State Office staff conducted thirteen meetings with homebuilders associations, twelve statewide meetings with the State Lumbermen's Association, and eight statewide meetings with other creditors. The Farmers Home Administration assisted in the formation of a statewide association of rural water users. This organization was chartered during the past year and is making steady progress in meeting its goals. Statewide meeting were also held with the Federal Land Bank and State School Land Commission regarding their participation in farm ownership loans.

One of the first youth loans in the nation was made in Oklahoma. Efforts are being made to expand the interests at the grass roots level with the "Beautify our American Community" program in conjunction with the Future Farmers of America.

I feel the Farmers Home Administration program in Oklahoma is one of the most aggressive programs available today in building a better rural America.

FARMERS HOME ADMINISTRATION. ACTIVITIES FOR FISCAL YEAR 1968-69-70-71 OKLAHOMA

	Fiscal year		Fiscal year		Fiscal year		Fiscal year	
	Number of loans	Loaned	Number of loans	Loaned	Number of loans	Loaned	Number of loans	Loaned
502 loans [1] [2]	1, 148	$10, 123, 130	1, 196	$12, 010, 023	2, 087	$22, 859, 800	3, 265	$37, 477, 530
504 loans [3]	147	165, 094	86	93, 860	86	100, 390	72	119, 270
RRH (rural rental housing)	3	48, 340	6	370, 880	10	529, 350	6	357, 400
Technical assistance (guidance)							1	78, 700
Site loan (development of building sites)							1	90, 000
Subtotal	1, 298	10, 336, 564	1, 288	12, 474, 763	2, 183	23, 489, 540	3, 345	38, 123, 000
FO (farm ownership) loans	303	5, 340, 517	387	7, 470, 334	484	10, 670, 320	746	19, 280, 696
OL (operating loans)	1, 424	7, 127, 780	1, 466	7, 423, 225	1, 389	8, 072, 878	1, 076	7, 677, 235
Emergency loans	644	2, 404, 010	444	2, 157, 140	190	1, 142, 450	734	4, 287, 810
EO (economic opportunity)	158	313, 990	108	221, 115	54	90, 130	15	26, 703
Soil and water (individual) [4]	39	300, 160	26	153, 870	42	264, 500	67	612, 550
Subtotal	2, 568	15, 486, 457	2, 431	17, 425, 684	2, 159	20, 240, 278	2, 638	31, 884, 994
Water and sewer loans	53	13, 852, 310	72	12, 402, 320	61	11, 005, 200	85	12, 880, 800
Recreation loans			4	413, 500	3	183, 000	2	65, 000
Grazing loans							1	200, 000
EO co-ops [5]	5	224, 823	6	19, 643			1	18, 000
Watershed loans			1	100, 000	1	135, 000	2	715, 000
Comprehensive plans	17	109, 110	5	28, 990	4	22, 000	3	19, 500
Subtotal	75	14, 186, 243	88	12, 964, 453	69	11, 345, 200	94	13, 904, 300
Grand total	3, 941	40, 009, 264	3, 807	42, 864, 900	4, 411	55, 075, 018	6, 077	83, 912, 294

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[1] Int. credit loans included (728 - $8,988,690 for fiscal year 1971).
[2] 502 loans (individual houses).
[3] 504 loans (individual houses—normal repair).
[4] Soil and water loans to individual borrowers.
[5] Economic opportunity loans to association co-ops.

(The tables on rural housing, farmer program, and community program assistance attached to Mr. Widener's statement are on file with the subcommittee.)

Senator Humphrey. This concludes our hearing. Thank you very much.

(Whereupon, at 6 p.m., the hearing recessed, to reconvene at 1 p.m., Friday, September 10, 1971, at the Kellogg Center, University of Nebraska, Lincoln, Nebr.)

(Additional statements filed for the record are as follows:)

STATEMENT OF R. K. JOHNSON, EXECUTIVE DIRECTOR, OKLAHOMA RURAL WATER ASSOCIATION, COMANCHE, OKLA.

Unless rural areas are rebuilt and modernized to take the pressure off big cities, "We're through," Senator Hubert H. Humphrey recently stated.

Surveys indicate that a majority of Americans prefer to live in rural areas if they can have the economic opportunities and community service of cities.

The Oklahoma Rural Water Association, Inc. whole-heartedly concurs and has based it's rural development program on this premise. Thanks to accomplishments of agencies such as the Ozarks Regional Commission, Farmers Home Administration and Oklahoma's rural electrification coops., this pilot program of the Oklahoma Rural Water Association, Inc. is no longer speculative in nature.

The Oklahoma Rural Water Association respectfully submits a series of questions and answers to those questions, designed to clearify the rural development plans of the Oklahoma Rural Water Association, Inc.

Question: What is the Oklahoma Rural Water Association, Inc.?

Answer: The Oklahoma Rural Water Association, Inc. is a nonprofit association of rural water districts, non-profit water companies, public trusts and towns of less than 5,500 people. It helps rural Oklahoma communities achieve their economic development goals.

Question: How will the Oklahoma Rural Water Association, Inc. rural development work?

Answer: Step number one, now underway, is to help the rural water people manager their local business more efficiently. Rural water rates are usually at least double the city rates, and often more.

The ORWA, Inc. will inform local water users of the new housing programs available and help start these programs if desired. This new housing will not only allow residents to remain comfortably in their own communities, it will help others to decide to live in the country.

With the availability of water, homes and people, the Oklahoma Rural Water Association, Inc. can help attract industry into rural areas. There are several ways to accomplish this. For one approach, several of the directors of the ORWA, Inc. are also directors of their county industrial authorities. They have money available.

This prorgam will not be to simply obtain blue-chip firms wishing to relocate. There is a great need to help local talent industrialize.

In sequence, the Rural Water Association's rural development program is: Water—Homes—People—Jobs.

Industry and Government plants have moved into cities where workers may be obtained. This brings in more workers seeking employment. These additional workers attract more industry, et cetera. We refer to this confusion as the whirl-poor theory. The 300 Oklahoma rural communities affiliated with the Oklahoma Rural Water Association, Inc. can reverse this theory by bringing the jobs into the country and allow the people, especially the younger people, remain in their own domain, if they so desire.

Question: What do your studies indicate should be done?

Answer: The ailment is not one a dose of Federal assistance will cure, though it is absolutely necessary. The medicine must be applied by those on a grass-root level with programs designed for self-help. Rural Americans only need a start—initial momentum.

Since most wide open spaces of this great Nation remain in it's mid-section, it might seem almost automatic that small communities in the belt extending from the Dakotas, through the Ozarks into West Texas might expect growth, as regional planners and experts on population distribution plot ways to lighten the load and burden of crowded urban areas. Unfortunately, this is not the case.

Population trends in rural middle America indicate no real signs that the migration from the mid-continent area is being stopped. In fact, the conclusion is to be reached that most rural cities in rural mid-America will have to be alert and aggressive opportunitists to so much as hold their own for some time to come. Only a few of them showed appreciable growth during the 1960's and some people brand that growth as "largely artificial".

Almost to the city, the growth centers adjoin military bases or have expanding colleges which enjoy soaring enrollment, or they are a seat of state government. There does seem to be cases of fairly rapid growth of towns with easy access to inter-state highways—which also happens to be an attraction for industry.

The studies definitely indicate that rural communities and small towns, in order to flourish, see an infusion of public aid to supply initial momentum. We are talking about highways, public works and indirect subsidies. But most important of all, after this initial momentum made possible by federal assistance, the true burden of rural development rests in the hands of local community actions. With this knowledge in mind, organizations such as the Oklahoma Rural Water Association, Inc. must coordinate and offer behind-the-scene leadership to rural communities during their self-improvement projects.

As long as America has over 50 percent of it's population living within 50 miles of it's coast lines, billions can be spent on urban development, model cities and similar programs but the only lasting solution to urban problems rests in rural development. One day our federal government must realize this fact and start priming the pump of rural America, particularly mid-continent America. Only then will everyone realize this nation's strife, dissension, riots, etc. have been needless.

Question: Is rural America 'geared' for federal programs?

Answer: No. Iowa's representative Culver sums this problem up pretty well while telling about a small Iowa town who needed help obtaining a federal grant for a sanitary sewer.

Early in 1970 this town filed the usual form 101. The town was told to complete it's application and submit it for review. The review was held in July 1970. Things were not right so a new application was drawn up and submitted again in August 1970. After reviewing and correcting another 17 page form, plus the form for assurance of job opportunity for the unemployed, 11 8-page certificates of non-relocation, writing 6 letters from the town council to the EDA, 6 letters to the U.S. Dept. of Agriculture, 6 letters to the U.S. Department of Commerce, received, 20 months later a grant of $86,000.

We know of many cases more difficult than this one, but the point is one universal problem always presents itself. The problem of getting the paper work done properly. Cities do not have this problem. There are enough assistance programs available to them that they each employ a specialist. Therefore, it is little wonder the cream goes to urban America. The fact that this starts the whirl-pool is ignored.

Farmers home is very cooperative and efficient in processing paper work for rural America, but Farmers Home Administration is in a personnel freeze. Their people are over loaded and over worked. Often FHA finds it impossible to help Mr. Rural America.

An absolute need is Federal assistance for wide ranged, grassroot organizations such as the Oklahoma Rural Water Association, Inc. To provide this assistance for rural communities who can't do these things for themselves.

Question: How is the non-profit Oklahoma Rural Water Association, Inc. financed?

Answer: Actually it isn't. Our members are also non-profit and have no funds available. When the rural development plans were instigated in the spring of 1971, it was assumed the Oklahoma Rural Water Association, Inc. could qualify for assistance within the economic development structure. This has not been the case this far. Rural America has no lobby and up to this point, the Federal programs are not all-inclusive. Thanks to the Rural Development Sub-Committee of the U.S. Senate Agriculture Committee, this trend is about to be changed.

Question: Can the Nation's economy afford this rural development?

Answer: Our Federal Government has never shown reluctance to bet on it's future. It's future no doubt rests in rural development.

The first year pilot program of rural development of the Oklahoma Rural Water Association, Inc. will only cost $80,000. This $80,000 must come in the form of Federal assistance. There is no other source.

Let us compare this $80,000 rural development need with one of Oklahoma's smaller model cities. This city has a $5 million urban renewal program going to clear a part of the downtown area plus a few residences. That $5 million would start 62½ rural development programs simular to that of the Oklahoma Rural Water Association, Inc.

The same city received a law enforcement grant amounting to enough to finance the Orwa, Inc. rural development program for the entire State next year.

Tulsa, Okla. has enjoyed great growth. Now it's transit authority has received a $1.69 million grant to help move the congestion around. That amount would finance the Orwa, Inc. for the next 20 years.

The Vice-President recently completed a 10 nation, 32,000 mile 7 airplane, 2 car, 140 person visit of an estimated cost of $1.2 million. This amount would start Oklahoma on its way to rural development along with 14 other States.

Twenty selected model cities just received another $79.1 million to enhance their whirl-pool. This amount would fund a rural development program simular to the Oklahoma Rural Water Assn., Inc. in every State of the Union for the next 20 years.

Our efforts in Southeast Asia costs a reported $10 million per day. Eleven minutes of ths war cost would start rural development on its way in Oklahoma.

We might well remember that every expenditure mentioned here is paid by Federal taxes. Mr. Rural America pays the same per capita rate as Mr. Urban America. That is fine, except that when Mr. Rural America wishes to improve his rural area, he must borrow the money and pay it back, plus interest. He is repaying his rural improvement loan while paying taxes to help repay the urban improvement grant. Is this double taxation?

Question: Has a rural development such as yours been tried?

Answer: Ozarks regional commission was instrumental in helping the Lake Wister area in Leflore County, Oklahoma turn the whirlpool around.

Farmers Home Administration has done likewise in the Perry, Morrison, Stillwater, Oklahoma area. They have helped rural people help themselves.

Question: What do you feel the rural development sub-committee could do to bring about the solution to the problems?

Answer: Instigate one program for improving all America, with the loan/grant ratio being the same whether urban or rural. Stop the double taxation. Prime the rural American pump so it can catch up with progress. Ask the President to avoid any further freeze of Farmers Home Administration funds. Work with rural America through grass-root, person-to-person organizations and avoid the fancy-dans who claim to speak for rural America. Give initial momentum to Mr. Rural America. Help him to help himself. Give him an even break. He is eager to help himself, his government and his city cousin.

Get Mr. Rural America involved in rural development immediately by financing pilot programs such the Oklahoma Rural Water Association, Inc. and keep partisan politics out of the rural development program.

Rural development deserves the best. We thank you for your efforts in solving this problem. And remember, where water flows—progress goes.

Statement of Ted R. Savage, Manager, Ada Chamber of Commerce, Ada, Okla.

Mr. Chairman: I have been engaged in community development work in small communities since 1947 serving as an agriculture teacher and a chamber of commerce manager in communities from 7,000 to 15,000 population. I have watched the out-migration of our best educated and poorest equipped to the metro areas.

I have watched our job opportunities in rural communities erode until, in some instances, our communities are stagnated. Bear in mind that all of these rural communities have sustained churches, schools, lodges and streets and are capable of continuing to contribute to a good life for people who reside there. The obvious goal is to structure our system in such a way so that more people can have a good life in rural communities. This would take the pressures off of Denver, Dallas, Detroit and other metro areas. The one thing that keeps the rural community from creating job opportunities is the lack of desirable industrial sites with a sophisticated public works facility required by modern progressive industries.

If growth centers, as designated by EDA, were encouraged to establish industrial parks with sophisticated looped water systems that would provide fire protection and other industrial needs, such as quality hard surfaced internal streets, modern storm and sewer system, and with adequate street lights this would serve as a catalyst to motivate imaginative minds working for an opportunity to establish plants and service facilities in these growth centers.

This would create job opportunities and would produce the same economic effect as the exploitation of a natural resource with sum effect being that the general population would get the maximum advantage of tax dollars invested in existing facilities. It is an impossibility in a rural community to create an industrial park with all the public facilities available since there is no way that such a facility can be structured from local funds. It would be interesting to see how many years it would take for the Federal Government to recover their cost of the public facilities from added income tax collected from the direct jobs created in such an industrial park. To be a valid project the Federal Government should construct twenty or twenty-five of these demonstration parks in rural America restricting such a project to a community of not over 50,000 population, with each of these projects located geographically over the States in rural sections. Each park could not cost more than five million dollars with the land to be provided by the local industrial development authority.

The management of the park would be handled by a non profit group whose primary purpose is to attract and promote industrial development. I know this sounds like a strong departure from our past procedures except our communities have a tremendous investment in churches, schools and businesses and people who need an opportunity. The only way to protect this investment is to do those things that will stimulate substantial economic growth in our rural area.

Thank you very much.

WILBURTON, OKLA., *September 9, 1971.*

Hon. HUBERT H. HUMPHREY,
Chairman, Rural Development Committee,
U.S. Senate, Washington, D.C.

Subject: Proposal for Department of Labor Discretionary Funds.

DEAR SIR: On behalf of the cooperating agencies, this is to request your personal assistance in obtaining Department of Labor Discretionary funds, as outlined in the following pages of the proposal. Copies of this proposal as of this date, are being forwarded to the Regional Offices of the Department of Labor, Dallas, Texas.

A personal inquiry by you to the Department of Labor, Dallas offices as to the possibility of probable approval and/or status of said proposal will certainly be appreciated.

It is suggested that communications relative to same can be made to the following:

Mr. L. V. Watkins, Director, Eastern Oklahoma Development District (EODD), Post Office Box 1367, Muskogee, Oklahoma 74401, (918) 682–7891.

Mr. Bill G. Powers, Superintendent, Kiamichi Vocational-Technical School, Post Office Box 490, Wilburton, Oklahoma 74578, (918) 465–2323.

Thank you most kindly for your personal assistance in this matter.

Sincerely,

BILL G. POWERS, *Superintendent,*
Kiamichi Area Vocational-Technical School District No. 7.

ABSTRACT

A. Submitted by: Applicant Agency—The Eastern Oklahoma Development District (EODD), L. V. Watkins, Director.

B. Cooperating Agencies:

1. **Eastern Oklahoma Development District (EODD).**
2. **Northeast Counties of Oklahoma Development District (NECO).**
3. **Kiamichi Economic Development District Organization (KEDDO).**
4. **Oklahoma Employment Security Service.**
5. Indian Capital Area Vo-Tech—Muskogee.
6. Kiamichi Area Vo-Tech—Hugo, McAlester, and Poteau.

7. Northeastern Oklahoma Vo-Tech—Afton and Pryor.
8. Tri-County Area Vo-Tech—Bartlesville.

C. Objectives:

1. To obtain Department of Labor Discretionary Funds for the purpose of expediting manpower training programs for meeting changing employment needs in Eastern Oklahoma.
2. To provide training for employment in areas presently having 11 to 12 percent unemployment where trained individuals are not now available.
3. To provide slot-in training, cluster training, formal training coupled with O.J.T., and other arrangements assuring flexibility as needed in individual programs and situations.

D. Characteristics of Area to be Served: The area to be served comprises twenty-one (21) counties in Eastern Oklahoma which is the largest and most critically economically, culturally, and educationally disadvantaged in Oklahoma, with areas having 11 to 12 percent unemployment.

Per capita income in this area in 1970 was $2,332.

E. Federal Projects Cause High Unemployment: Increased unemployment and underemployment continues in this area because of the discontinuance, noncompletion, or curtailment of government projects and employment such as the scaling down of the operations and laying off the employees at the U.S. Naval Ammunition Depot at McAlester.

New job categories and the acquisition of training and skills will be necessary if individuals in this deprived area are to partake in the benefits accruing from such proposed projects as the Arkansas River Navigation System, Upstream Flood Control, Industrial Parks Development, etc.

F. Uniqueness of Need: Critical to the present problems of this area is the sparse density of population in these three economic districts. MDTA funds have been most difficult to obtain for the rural areas in Oklahoma. Assistance as herein requested is an absolute must if the problem of matching resources with opportunities is adequately accomplished to assure economic development of the extremely economically disadvantaged twenty-one (21) counties of Eastern Oklahoma.

G. Time Schedule: September 9, 1971 through June 30, 1972.

H. Budget: Total Cost—$1,500,000 from Department of Labor Discretionary Funds to be allocated and/or awarded to applicant agency for contracting training with local area vo-tech schools in the three Economic Development Districts of Eastern Oklahoma.

PROPOSAL FOR DEPARTMENT OF LABOR DISCRETIONARY FUNDS

PROGRAM DESCRIPTION

In accordance with the Administration's policy of decentralization of manpower programs, it is recommended that $1,500,000 be granted to, or set aside for use by, three development districts, in cooperation with area vo-tech schools and the Oklahoma Employment Service, to expedite manpower programs for meeting changing employment needs in Eastern Oklahoma. The programs will be established in accordance with guidelines of the Department of Labor.

APPLICANT AGENCY

The Eastern Oklahoma Development District (EODD) is designated as the applicant agency by cooperative agreement. Funds will be sub-delegated to Northeast Counties of Oklahoma Development District (NECO) and Kiamichi Economic Development District Organization (KEDDO), in accordance with identified needs, with reallocation authority among the three districts.

DESCRIPTION OF AREA

The project area includes twenty-one counties in Eastern Oklahoma, bordered on the south by Texas, on the east by Arkansas, and on the north by Missouri and Kansas. The total population of the area in 1970 was 498,291.

The area had a total labor force of 153,278 persons in 1970, of which 141,163 were employed. The unemployment rate for the area was 7.9 percent.

The average median number of school years completed by 1960 was 8.8 years. Average family size in 1960 was 3.84 persons. In 1960, 45.6 percent of all families in the area received less than $3,000 income. Per capita income in 1970 in the area was $2,332, as compared to Oklahoma's per capita income of $3,394.

The project area had an underemployment rate of 28.2 percent in 1967. The rate of underemployment varied from a minimum of 22 percent in Muskogee County to a minimum of 63.7 percent in Cherokee County (except for Washington County which had an average annual wage in excess of the average national annual wage).

In recent decades, the area has relied on Department of Defense and other Federal Government created or supported jobs, with a token supplement of agricultural and manufacturing jobs.

The discontinuance, completion, or curtailment of government employment have drastically increased the rate of unemployment and underemployment in the area. The future of the area, however, is greatly influenced by recent Federal investments such as the Arkansas River Navigation System, Upstream Flood Control, Industrial Parks Development, etc. These influences have contributed more toward a new quality of life than would traditional industrial development. Therefore, creating new job categories appears to provide the best means for increasing employment opportunities in the area.

DESCRIPTION OF THE AGENCIES

Primary agencies within the area that can collectively address the manpower needs of the area include the three Substrate Planning and Development Districts (designated EDD's) with their manpower planning councils; four area vocational-technical school districts with their seven training facilities; and the Oklahoma Employment Service with its eight local area offices.

The agencies mentioned above are coordinating and cooperating in the manpower planning development of facilities, development of jobs, identification of training needs, the implementation of training programs, and placement of manpower in public and private jobs.

TRAINING NEEDS AND TECHNIQUES

Available research and employment possibilities within the project area indicate jobs presently exist in the following major cluster of occupations. These include: *Recreation Occupations* such as marine engine technicians, park and playground attendants, diner clerk, landscape and architect, hospitality; *Office Occupations* such as general office clerks, secretaries, keypunch operations, medical office assistants; *Health Occupations* such as nurses, LPN, ward clerks, medical office assistant, operating room technicians, nurse aides, and emergency vehicle operators; *Maintenance Occupations* such as building engineers, custodians, air conditioning and refrigeration. TV and appliance repairmen, plumbers, electricians and retail sales occupations. Specific occupations within these clusters are described in more detail in the proposal.

The area vocational-technical schools within the area are presently providing ongoing training of the more traditionally accepted occupational training programs which are definitely needed. However, because of lack of funds, they are unable to meet the needs in new jobs or careers training, especially those which are related to Recreational-Tourism Occupations, Water-Ways Occupations, Health Occupations, etc.

All of the area vocational-technical schools have agreed that if this proposal is accepted and approved, they will offer flexible and innovative programs which will meet the current manpower needs not now being met. They have also agreed to give priority to adults in such training.

If financing were available, flexible and innovative programs could be implemented. These programs may include:

1. Slot-ins to existing programs on a cost-per-student basis.
2. Full-time programs in job-clusters necessitate extension capability to provide supervision and coordination with those students who can manage the coupling of classroom and on-the-job training. The extension personnel could also work with the local Employment Securities Office in the selection and placement of students.

The employment demands of the project area require flexibility in training programs to meet the local manpower needs. Courses and techniques can be implemented if funding sources allow adequate flexibility. This training capability, coupled with an adequately financed student recruitment and placement program can do much to improve the economy of the area and reduce its high rate of unemployment. Opportunities are now becoming available. The problem is one of matching resources with opportunities in an integrated shop.

3. OJT—post-secondary-adult with financing for coordinator and teaching supplies.

The slot-in procedure would enable secondary and adult students to begin training at any time during the school year and complete training upon acquiring a salable skill and find employment.

Full-time cluster programs in integrated shop would enable three or four stations for each type of related training. This type of training would include electrical, mechanical, plumbing, air-conditioning, machine tool operation, small engine repair, commercial art, etc. A core instructional staff with broad experiences would supervise training for a combination of areas. The training could vary from 26 to 52 weeks and provide entry job level capability for a majority of the employment needs in Eastern Oklahoma. This type of training would complement the employment needs which are widely scattered and little can be accomplished in traditional class training.

There are numerous opportunities for OJT throughout the project area. Their scattered locations, however, necessitate extension capability to provide supervision and coordination with those students who can manage the coupling of classroom and on-the-job training. The extension personnel could also work with the local Employment Security Office in the selection and placement of students.

The employment demands of the project area require flexibility in training programs to meet the local manpower needs. Courses and techniques can be implemented if funding sources allow adequate flexibility. This training capability, coupled with an adequately financed student and placement program can do much to improve the economy of the area and reduce its high rate of unemployment. Opportunities are now becoming available. The problem is one of matching resources with opportunities.

STATEMENT OF ROBERT S. GEE, MIAMI, OKLA.

Senator Humphrey and Gentlemen of the sub-committee, we are grateful that you have come to Oklahoma to listen to us.

We in Oklahoma are experiencing the same festering problems that have plagued many of our rural areas throughout the U.S. These conditions in the past have been magnified by what appears to be an unawareness on the part of the federal government.

For example, the Interstate Highway System which is financed on a 90-10 basis has been keyed to facilitate transportation between metropolitan areas. Unconsciously ignored has been the fact that the survival of our rural areas also requires the presence of every form of modern transportation. Efficient, expedient and readily available transportation is just as much of a lifeline for rural areas as it is for metropolitan areas, and yet the farm to market system has been relegated to a priority of 50-50 funding.

In other areas the general emphasis and priorities have been to concentrate on the problems inherent in large, sprawling metropolitan areas without any apparent recognition that the problems of metropolitan and rural areas are irrevocably intertwined and mutual in the sense that they are only different faces of the same coin.

Mass migration from rural areas to cities have produced problems in both areas. In metropolitan centers, these migrations have created crowding, overloaded facilities and staggering transportation snarls.

In rural areas, it has brought uneconomical use of lands, declining human resources and scarcity of job opportunities. Rural areas have passed the point of worrying about how to keep folks down on the farm . . . we are now concerned with how to keep the farms. Rural communities are indeed fighting for their very survival.

Some business and industrial leaders, and all too few political leaders, are finally recognizing that the constant push to make metropolitan areas larger and larger has been counter-productive. There is a trickle of businesses and people who now are fleeing the cramped metro centers and returning to less crowded areas, even though these areas many times lack adequate governmental services, good transportation, quality education, medical facilities and cultural and recreational opportunities.

Efforts must be made by government at all levels, in cooperation with business and industry, to speed this return to rural areas. To accomplish this, I recommend that a cooperative effort between business, industry and government be undertaken to institute a program of tax incentives that would encourage businesses and industry to locate outside of metropolitan areas.

Guidelines should be established for providing job training in rural areas where labor skills are lacking. Incentives also should be provided to encourage businesses moving to rural areas to hire a proportion of their employees from areas outside of that in which the business is being located.

The federal government should work in partnership with state and local governments to assure quality educational systems for children of rural area employees. This same partnership must also seek ways to make available medical, cultural and recreational benefits to people in rural areas.

There are some bright spots on the horizon. We are detecting at the federal level an awareness that medical facilities and services must be made available to all peoples of this country and not just those within the metropolitan centers. There seems to be an awareness that handouts and public projects in rural areas treats only the symptoms and not the basic problem. The very presence of this subcommittee in Oklahoma and the legislation upon which you are working indicate that finally a true partnership involving private enterprise and government may be developed whereby a sound and working foundation for development of our rural areas is a possibility.

To delay is to run the risk of allowing the problems to degenerate into a stage where solutions will be exorbitantly costly and extremely dehumanizing.

This committee must be productive. It is our hopes and prayers that you will be successful.

RURAL DEVELOPMENT

THURSDAY, SEPTEMBER 9, 1971

U.S. SENATE,
SUBCOMMITTEE ON RURAL DEVELOPMENT,
COMMITTEE ON AGRICULTURE AND FORESTRY,
En Route to Stillwater, Okla.

The subcommittee heard the following presentations while touring redevelopment projects and rural areas by bus at McAlester and en route from Perry, Okla., to Stillwater, Okla.

Present: Senators Humphrey, Curtis, and Bellmon. Also present: Representative Camp.

STATEMENT OF CARL B. HAMM, PRESIDENT, FIRST NATIONAL BANK, PERRY, OKLA.

Mr. HAMM. I am president of the First National Bank in Perry and up until Happy Camp got on the bus, I was the only honest banker on it. [Laughter.]

In my opinion, the development of rural America requires three elements to be successful, a firm or individual that has a sound and feasible product or idea, a community that has adequate labor supply and a progressive attitude, and available capital.

I will confine my remarks to the third element, capital, since being a country banker, this is the element with which I am most familiar.

In rural America the banks were usually the only source of capital available. Naturally, an individual or small industry seeking to relocate or expand does not have adequate capital or the resources with which to raise this capital. This is where the country banker enters the picture.

Being a civic-minded individual, wanting his community to grow and prosper, he is always willing to explore financing possibilities for a potential source of new or existing industry for his town. At times he will loan on a basis which is disproportionate in relation to the collateral available. Agreed, Happy?

Mr. CAMP. Yes.

Mr. HAMM. This is frowned upon by supervisory forces. I would like to use an actual case history to illustrate how judicious use of bank credit can help rural America and in the same study how the attitudes of supervisory authorities at times might influence the banker's thinking.

In 1958 I was contacted by a local concern that was not a customer of our bank. This concern was in need of more space, more equipment and more credit. They had made application to the bank with which they were doing business for additional credit and had been declined. Briefly, their financial statement showed a net worth of $130,000 and notes payable, $55,000. The amount of money requested was $45,000. Needless to say, based upon the financial information available, this was not prime credit.

This firm had three things, though, that had not been possible to translate into dollars and cents to put on the financial statement. Good, capable, energetic management, a good product idea, and good marketing potential.

Instead of loaning this firm $45,000 as requested, after looking at their sales projections and other pertinent data, we recommended that they borrow $180,000 to be used as follows:

$45,000 for new plant, $55,000 for debt consolidation, and $80,000 on new equipment.

The loan was made with the 75 percent SBA guarantee. After this loan was made it was criticized by bank examiners in the next three examinations.

This was a 5-year loan. It was repaid by the company out of earnings at the end of 3 years.

At the time the loan was made this firm employed 60 people. Today this home-grown industry employs over 300 people with sales in excess of $18 million annually and the amount of Federal income tax paid each year is sizable.

To sum up, I would like to say that country bankers should be encouraged by supervisory agencies to be more aggressive in helping their community to develop instead of discouraging them as they now are.

Thank you for permitting me to present my thoughts to you. [Applause]

Senator HUMPHREY. Can we get both of these statements in our record? Give them to Jim Thornton.

Mr. THORNTON. We also have it on tape.

Senator HUMPHREY. Good.

VOICE. Mr. Hamm.

Senator HUMPHREY. I want to be sure we get this. I would like the statement of this company in the record.

Senator BELLMON. Before you turn it over, would you mind stating for the record, your idea about letting a bank make a loan up to its limit?

Mr. HAMM. I made the suggestion to Senators Humphrey and Bellmon this morning that if each country bank were permitted to set aside an amount equal to their legal loan limit, which is 10 percent of capital, surplus, and undivided profits, for national banks, to be used as risk capital to further the development of rural America and these loans so designated as rural development loans, and not be criticized or appraised by the usual credit standards of the examiners, this might be one solution.

VOICE. Do you have any idea how many dollars this would make available nationwide?

Mr. HAMM. The question was how many dollars would this make available nationwide. It would run into hundreds of millions.

Senator BELLMON. How much would it be in Noble County?

Mr. HAMM. Noble County has four banks. Roughly it would be about half a million dollars for Noble County.

Senator CURTIS. With a population of 10,000——

Senator HUMPHREY. Mighty good.

Mr. HAMM. Congressman Camp being a banker, I would like to ask him his reaction to that.

Mr. CAMP. Well, I am sure you are aware that in the Oklahoma Bankers Association, over a period of the last 4 or 5 years, they have tried to bring about a plan of this kind in the State of Oklahoma. It is my understanding, Carl, that it has been introduced in the State legislature. When I was still here this was one of the plans that was brought up and I tried to support it through the Oklahoma legislature at that time and I did not get any help actually from the bankers themselves or any support from them.

I think that this is one way that you could take care of that risk for venture money at the risk loan which you could classify in a bank. I do not think there is any question in my mind that this would be one of the finest things that could happen for rural areas of Oklahoma and everywhere else.

If I understand it right, what he is talking about is 10 percent of his surplus and undivided profit and also his capital, and invest it in a corporation, right?

STATEMENT OF GENE LEACH, OKLAHOMA YOUNG FARMERS ASSOCIATION, ORLANDO, OKLA.

Mr. LEACH. I am Gene Leach and I represent the Oklahoma Young Farmers Association. I really do not have any printed paper, because I was not told of what problems you would like to hear about, or anything, but I would like to talk to you for a few moments about our organization which might be of interest to the Senators.

First of all, I think, like Senator Curtis, we like our State. We are very proud of it. We think it is a State where opportunity still lies, where you can bring your children up to believe in God, see the sun rise, see the sun set, to ride an old pony, gather the cows, see wheat grow, and we sincerely believe in this.

We believe there are opportunities for industry such as Ditch Witch that you just came from, and many of these boys working up there are buddies of mine and are farmers also. With this kind of opportunity I think it is a real opportunity and also helps the urban renewal situation, an opportunity for families to get out in the clean air, so to speak. I never really lived in the east, in Washington back in the big cities, but I did visit them and the best thing about visiting them to me is getting back home. But this would be about all I would have to say.

Senator BELLMON. You might tell us a little bit about why people leave the rural areas.

Mr. LEACH. The question was what is my feeling why people leave the rural areas. Since I, like anybody, likes to better themselves I can drive a new car, live in a new home, have the finer things in life and the opportunity for the larger wages are not in the rural community.

As far as the farming operation is concerned, it is getting more small because one man is able to take care of much more land with the larger machinery to be able to take care of a whole lot more area.

There used to be a family living on about every 160 if not every 180 acres in this area right here. As a matter of fact, my dad lives about a mile right down there and that is where I grew up.

There used to be a family on about every 160 acres. One started school in a one room schoolhouse of about—that was full. Before I got out of grade school, it had dwindled to about half and by the time I was in high school they had consolidated to a small town and this has continued in this area because the job opportunities are not there.

When I lease another quarter of land or buy another quarter of land to operate, the family that has been operating this land has to move somewhere else or to look for other employment. The employment then is in the larger cities. This is where you get your congestion of people in the larger cities.

However, due to the transportation and the roads that we have now, I believe it is very feasible for people to drive as much as 50 miles on these dirt roads to work, to and from work. Also one of the things concerning the people building in this area is water a whole lot and I think we are doing a good job on this water project.

VOICE. Have you any questions?

Senator HUMPHREY. You mentioned your water system. Is this the area where that is being found?

Mr. LEACH. We do, yes. It has not gotten to my home place yet but I think maybe we will get to the place I live in along the highway or at least it was a few weeks ago.

Senator BELLMON. You mentioned that people like better houses. How do you feel as far as Farm Home Administration? Do you feel their programs are not adequate?

Mr. LEACH. Do I feel the Farm Home Administration is not adequate?

Senator BELLMON. For housing.

Mr. LEACH. For housing? Yes. Whether it should be made more liberal, easier to obtain these loans, I am not in this sort of field, Senator. I would not make that statement.

Senator HUMPHREY. But you have——

Mr. LEACH. I think it ought to be easier to obtain the money for farms.

VOICE. I am sure this will not answer the question but—does somebody have a question?

Senator HUMPHREY. What do you raise on your farm?

Mr. LEACH. What do I raise? Primarily cattle, small grain, wheat, rye, green pastures. Wheat is a cash crop. Rye, oats, barley, beans. And use for green pasture. My operation is mostly cow calves operation. We raise registered Herford cows.

Senator HUMPHREY. Do you sell calves?

Mr. LEACH. We sell breed stock and calves, bigger calves.

Senator HUMPHREY. Tell us about your organization.

Mr. LEACH. The Young Farmers Organization is a newly organized organization that is a big brother to the FFA or the Future Farmers of America. It is primarily for the purpose of education, or almost strictly for the purpose of educating some farmers in the newer ideas that come out. If you have been away from farming a little while, you soon lose out because of the rapid change in variety, different wheats, fertilizers, and so forth and so on, and we could go on but it would not interest you too much.

STATEMENT OF MILO WATSON, EDITOR, PERRY JOURNAL, PERRY, OKLA.

Mr. WATSON. I am Milo Watson, pubisher of a newspaper in Perry. The remarks that I have to make are a few hours stale since they were prepared for delivery when this group first arrived this morning. Since the bus did not show up then, we will try to give you some facts and figures that might be of interest to you.

One of the things that I want to mention first, among you is Senator Henry Bellmon, who belongs in this county and he is much more qualified than I am to discuss all phases of the area. His family was among the earliest settlers and the Senator himself has played a great part in much of the activity which has made us a great part of Oklahoma.

Perry was founded on a windy, dusty fall day on September 16, 1893, when the last of the great land runs was held. It was arranged to open the Cherokee Strip to settlement. Rifles fired at high noon by soldiers stationed at predesignated points set off a mad race for lands with settlers using every type of conveyance possible to imagine. By nightfall it was estimated Perry had a population of 15,000, all of them camping outdoors or occuping hastily erected tents.

Not since that day has the town's population reached that point.

Since the local economy has been dictated by the trends of agriculture, the dwindling population in Noble County has been a natural consequence of mechanization in farming.

In 1940 the county had a population of 14,826 and it has moved downward each decade since. By 1950, the movement away from the farm was well underway and many of those who went away to work or fight during the war did not come back. The 1950 figure was 12,156 while by 1960 it had dropped to 10,376, and in 1970 we are barely able to stay above 10,000, 10,043 to be exact.

Not that farming and ranching are not profitable undertakings. The population problem is founded in the trend toward big acreages under operation by fewer and fewer people. The county harvests 13 to 3½ million bushels of wheat in good years and there have been many good years. It is not uncommon for a rich pasture land in alfalfa to yield 20,000 tons of hay. Grain sorghums have a growing importance, especially to those who are in livestock production and yields of 30 bushels to the acre show up during good years.

Barley and oats add a million dollars in income to the county's farm economy. Cotton has almost disappeared in this part of the State. We are not in the corn belt but there is some corn grown in this area. Livestock is really big business. The cattle and calf census sometimes runs from 40,000 to 50,000 head in values totaling upwards of $6 million depending on market conditions.

Although agriculture will continue to be the dominating force of the local economy, the successful establishment of the Charles Machine Works, which you have just visited, has provided the important balance so badly needed in our rural areas.

The payroll generated by this home-grown industry feeds important dollars to families who spend the cash among those who make up our retail structure.

Transportation has always been a strong point in Perry. Santa Fe operates between Chicago and Houston and we have retained one passenger train in each direction daily under Railpax. Frisco between Enid and Tulsa provides means of moving farm products from the great grain terminals at Enid and communities along the way. The interstate highway system has provided both benefits and disadvantages to the area depending on who you are talking to. I–35, only 1½ miles away from downtown Perry, caused great disturbance among retailers when it was built. Some panicked, closed up shop and moved away. Others stayed put and took advantage of the opportunities to be derived from the four-lane artery.

One of the principal benefits has been the spending by transients in the community. These are new dollars as opposed to expenditures by people in our own community trading among themselves. Several major businesses have sprung up along I–35, including a 68-unit hotel, four restaurants and several service stations.

At this time our four lane has a traffic jam of 8,500 automobiles a day, which is roughly 250,000 a month or 3 million a year. Broken down this is about 354 cars an hour. If we can assume each car carries an average of three people, that is 9 million individuals passing through our immediate area each year. If only 10 percent of the vehicles stop, and each individual spends a dollar, that is another million dollars for our economy.

I could go on by telling you about our stable, conservative citizenry and skip over the statistics by the police and sheriff's departments. It would be easier to dwell on the solid church denominations, many of which have erected new air-conditioned buildings in the last few years. There are more Catholics in our community than any single denomination, with Baptists and Methodists in second and third places, in that order.

A majority of our people register as Democrats and vote Republican. [Laughter.]

It might also be of interest that by the time Perry was 5 days old, there were 110 saloons in operation among the camps and temporary structures. As late as 10 years ago, a professor at Oklahoma State University told his sociology class that Perry had the greatest number of beer joints per capita of any town in the State. However, in the final analysis, Perry in Noble County lives up to the traditions for conservatism, which is the hallmark of north central Oklahoma. Generally speaking, our people rear well-disciplined children who do not get hooked on drugs and engage in crimes of violence. We pay taxes willingly to support our schools. We may have some kind of record in that the Perry School District has never turned down a bond issue since the district was founded nearly 80 years ago.

With this brief background, I am hopeful that I have answered some of the questions that may come to your mind. With Senator Bellmon's help and with Carl Hand's help, if there are additional questions, we may be able to answer them.

Thank you. [Applause.]

Senator Humphrey asked about oil production. There have been times in the last 40 years when there [illegible] been some very important fields in this part of the country. Ma[illegible] them are still producing but the quantity of oil has gone down all [illegible]. At one time we had seven major oil fields servicing industries and stores, retail establishments, in our area but most of these moved away with the dwindling oil production.

Senator HUMPHREY. Your soil is very red, I notice. Is that—are there any iron deposits here?

Senator BELLMON. Senator Humphrey asked about the red soil and since I am a farmer and agronomist I will try to explain very briefly.

Our soil here derives from the sandstones and they have been built up under conditions of high temperature which has kept the soil from accumlating the organic materials and * * * also under those high temperatures, the iron in the soil does take on a red color rather than the darker color that you get in your low temperature zones. The fact that these soils are red does not mean that they are not productive because they are very good soils and with fertitlizer do very well.

Senator HUMPHREY. Up in the iron range of Minnesota, when you see this along the embankments, like that red, that means we have got iron ore.

Senator BELLMON. There are, as far as I know, no commercial deposits of iron here at all.

STATEMENT OF COL. LEONARD H. FULLER, DIRECTOR, MODEL CITIES, McALESTER, OKLA.

Colonel FULLER. We are giving you a fact sheet of all the things that we are going to see, so that I am going to spend most of my time in narration on the philosophy of the programs that we are trying here.

One of the major problems we have is housing, of course, as is true in all rural and small communities.

The first thing that we are going to see is the housing area which is in this area right here. In this community we have most of the town in the Model Cities program so that we can plan Model Cities programing for most of the community. The only part that is not in it is a newer section marked here in yellow on the map.

As we go along the route, you will see on the right-hand side a shopping center, Howard Shopping Center. Back of that shopping center is a portion of the second ward, which shows the kind of affluent housing that we have in this one portion.

When we come to this other area, we will see some conditions in housing that are caused by two things. One, the fact that we have a low economic base here in this area and have had for a long time. The second thing is that many of the people, even if we had good industries, are unskilled, elderly, or for some reason would not be able to make a good enough living to keep their houses up.

We are trying to attack this in two ways. First, we are hopeful of getting all of our vo-tech training, for industries that we are trying to attract to the area, to raise the incomes of the people that are here.

Secondly, we are trying to use all of the low housing programs to lower the cost of the housing.

Now, there is a third method which we are working on, which is, to have some incentive for local contractors and realtors to build low-income housing in preference to building the more affluent houses, which, of course, bring bigger profits. We are not quite as far along on this programing, finding these incentives, as we are in working with the Federal programs in sections 235, 236 and 235(d)(3).

The housing area that we will be going through is typical of this whole community. We have spots of poor housing and spots of good housing which causes a very particular problem for cities of this size.

You have to cover such a large geographic area that many of the programs are not tailored for this kind of thing. Urban renewal programs are tailored for concentrated ghettos, for example, in which you have all bad housing. You could clean out an area and you come up with a solution.

We have to cover the entire town and get little groups of houses in every place and the program does not really lend itself to our programing. We need a new program basically for the rural and small communities in this area.

The second thing that makes a problem is that most of the houses (if you will look back as we pass this point here, and you can see through the trees the kind of housing in the second ward developments, much different from what you will see in the other parts of town).

The other thing that makes a problem in housing in these kinds of communities, is that many of the people have moved here from rural areas, from the farms and whatnot, sharecroppers, and these houses are much better than anything they have ever lived in. Although they are substandard and below the standard of what we call good housing, many of them are 100 percent better than they have been used to. So, we have a people problem. They do not want Government housing. They do not want people to mess with their houses, and yet they are forced to live in what is considered basically low-grade and substandard housing.

It hurts the community in the development of the community, but it is a person problem, and it causes many of the problems that we have with the housing situation.

We are going to turn to the left here, and as you go to this area, you will see about three things that are problems. One is our streets and sewers and drainage. We do not have curbs; we do not have gutters.

This causes an urban renewal-type program because the cities at this point in time do not have tax bases to do this. Yet, you have to upgrade the housing and the streets and sewers.

On the left, you see a fairly good house. Next to it you can begin to see what we are talking about in substandard. Over on the right is a very substandard house, and here on the left are two very bad houses.

We are moving here. This street which is very bad for drainage and curbs—look on your left over here. Now, you will see one or two houses that have been kept up. Yet, by the standards of substandard housing, these houses are still below the standard of what you would see in many communities and which we would like to do in this community, upgrade them.

Now, we will go up the hill and turn back and begin to hit the downtown again, but as we traverse the street on top of the hill, there is another problem. A lot of these people are elderly people, too, who are homeowners, and this again poses a problem. Homeowners just do not want people messing with their houses, and we cannot blame them a bit.

Now, as we turn back to the right on Ottawa Street, we will see a whole row of houses that are fairly standard and in good shape, and this is the problem that causes this geographic problem that I was talking about, all over the community. We will see it again in the northern part of the community when we approach the site of the groundbreaking.

Now, you can see that these people here have curbs and gutters, and this is true. Your streets are spotted through a community such as this in many of the rural towns and in many of the rural areas, but you have been able—the more affluent people have been able to get streets and gutters on a participation basis, and the other people have not, so you get this kind of a scattering in these sizes of towns because of the economic base that you have to work with.

You will notice that most of these houses are in fair shape.

Now, as we turn back to the left, we will be approaching the urban renewal or downtown area. Now, we think that in rural development, you need a growth center city, some place in the region, and we think that McAlester is the closest to this with some upgrading. You need a growth center city that can take an area of 150,000 to 200,000 people and furnish them the things that they cannot hope to have in a much smaller community without going thousands of miles to reach a center for health, education, business, and these kinds of things. So McAlester faces the problem in becoming a growth center, of doing something to its downtown.

As we approach the urban renewal section, which also includes a neighborhood development program beginning about the canal, and extending completely east and west through the town—some time when you are looking at your chart, you will see where our urban renewal area is. There is a map in your packet that shows it.

Now, this is all scheduled for some time in the near future, and it is part of an urban renewal plan to take care of all these dilapidated buildings such as you see, which now are nontax base. They furnish nothing. They are vacant. And hopefully, we can get businesses in here by demolishing the old and building the new. That will begin to arrange our tax base so that we will become self-sufficient and move away from the Federal subsidy, which is the hope of this town.

You will see over on the left, where we have just completed a demolition program on this part of the urban renewal for South Main.

Note the buildings on the right, and you can see what we have torn down on the left. This same kind of a situation.

We will go into another—this is a new urban renewal area. We will go into another urban renewal area which is older, which is one of our original ones, and you will see there quite a bit of improvement. We have widened the streets. We have demolished buildings in preparation for new buildings. And we have upgraded many of the buildings in the area. The owners have upgraded many of the buildings in the area.

This is another situation peculiar to most small towns in this area. We have railroads, because they were built around railroads. The railroad goes right through our town and they cause a business problem that we have to contend with.

This is an urban renewal demolishment. This street has been widened, and you will notice on the right-hand side many of the buildings that have been refurbished. On the left is the Comar Hotel, the newest building for acquisition, which is one of the oldest hotel buildings in the State of Oklahoma. It will come down.

We will then have refurbished this downtown, as you see on the right and on the left.

As we approach this corner here, on the left-hand side is one of the major urban renewal projects called the special block. This block was called a special block because there were many small buildings here which were torn out, and an effort from the beginning was made to make this into a one-parcel project. And from the very beginning of the sale, we tried to sell it as a single parcel, and development by a single individual or single group.

As we started on this, we could not get people who were interested from the outer community, but President Clark Bass of the First National Bank got a group together, and they purchased this from urban renewal and built this block. So it is what local capital can do with the aid of urban renewal to put a business block back into being, that is a taxed business block as opposed to some of the things that you saw in South Main.

So, these programs do work and they do work with local capital, and we are quite proud of the fact that this has been a team effort in this program.

As we go around the corner, you will see another sort of an effort in which the city has taken urban renewal property and built a parking lot which is a great need in this area. When you have downtowns such as these with lack of parking, you have to build parking.

If you look down to the left, you will see a new bank development at the other bank, which is generated by the fact that we are in business here. The combined total of the deposits of these two banks should—there should be a sign on that one, too—these two banks—is better than $60 million. So, there is local capital here if we can funnel it, break it loose.

Since the development of this community has started, we have developed a third bank—a smaller bank—but a third bank which is going to serve this area in the west.

Now, we are on Carl Albert Parkway, which is the beginning of an urban development or urban renewal development in this community. It furnished the 25 percent cash for the original urban development that took place in McAlester back some 6, 7, 8 years ago. And as we approach the viaduct down here and go over the viaduct you will be in an urban renewal area which was primarily the black community of this town. It has since been refurbished, reconditioned. It is being integrated and we will go into a housing area that is built in the middle of this in just a few minutes.

You can see here we are beginning to tear down an old business area of the black community and you can see as we go over the bridge, you can begin to see the road construction that has gone on in this area, updated. As we leave the ground-breaking area later, you can see the condition that this ethnic area was in before urban renewal took hold of it and we do [illegible] will be that [illegible]

We will [illegible] this community [illegible] environment and still [illegible] They do not want to go [illegible] Chicago and [illegible] for these [illegible] rest of the United States [illegible] basically.

Now, you will see [illegible] down [illegible] has been updated a little. [illegible] right of it [illegible]

As we go around the [illegible] lunchroom, and [illegible] building for almost the entire community. [illegible] we are hopefully trying to upgrade the [illegible] life.

We are coming to the [illegible] short period of time [illegible] in military style and [illegible] are going to see [illegible] the bus back [illegible] you have any questions [illegible] a few comments about public housing. [illegible] the public [illegible] individual and the [illegible] amortized [illegible] owners of public housing.

There may be something [illegible] to get rid of [illegible] our attitude about public housing [illegible] going to need something [illegible] development. People [illegible] and cannot get [illegible] and other people [illegible]

By the same token [illegible] who have reached [illegible] sometimes they have to [illegible] public housing.

So, we do not advocate [illegible] the answer for everything [illegible] to be faced with the problem of public housing [illegible]

This is the way we [illegible] a way that people [illegible] it available to those people [illegible]

As we are going [illegible] noted. This road is [illegible] the bypass, so that the regional people can have more ways than one of getting into the downtown area and relieving the congestion that might happen on highways.

We are now turning into Vo-Tech. We will let you out of the bus again at the back of the Vo-Tech building and we will let you see three classrooms. One on health aids, one on cosmetology, and one on electronics.

I will speak to the Vo-Tech program as we get back on the bus again, so that if you have any questions we can answer them there.

There will be guides along the way to answer questions as you go along. We would like to not stop again because we are on a real tight schedule, as I say. We have about 10 or 15 minutes here, and kind of ask on the way any questions and if you have any more, I will try to answer them when we get back on the bus.

One of the problems, of course, of upgrading a community is vocational technical training. As you have just seen, we have what we think is a start of both a local and regional technical training system. This is one of three schools, one in Hugo, one here, and one in Poteau. They are scheduled in such a way that we can change the curriculum from one school to the other where the need arises in some of the minor schools. Of course, some of the heavier machinery schools would have to be pretty much for the schools oriented to heavy machinery. We cannot move it.

We work in two ways. One is we work on future planning for training for industries that may come in, and train in ways that will be future jobs. We also, as you notice from the health program and from the cosmetology program, have schools going which are immediate-type jobs that may become available tomorow when the person gets out. This does two thing. Vo-Tech motivates the worker which upgrades his attitude. It also gives him an incentive to train because it is readily available, and it tends to keep industry oriented in the direction of building industries close to places that you have training facilities because we work very closely with the industries that are here or expect to come here.

I think this is a key to your rural and regional development, the fact that we have to have training facilities in order to keep the people in the area in a sophisticated frame so that industry will accept the community as a place for getting people to work and also it will give incentives to people who have never had skills to become skill trained, particularly agricultural and those kinds of people who do not accept skills that they are not exposed to. I mean, there just has to be some incentive value.

We are going to take a trip through what we hope to be the future industrial development area, what we call light industry. We have a heavy industry develpment out of town about 4 miles to the west. We would like to see this highway develop into such areas as you will see after we pass under the viaduct.

Lockheed is on our left, one of our newer industries. We would hope that we could tour both of these. Lockheed employs about 78 people. It started at the Navy depot with a small group and built its own plant here with the aid of our McAlester Industrial Development Group, not the industrial foundation, but a city-oriented industrial group which got the property for them and helped them to begin this building.

Now, we would hope that on both sides of the highway as some of you are familiar with some of the communities in this area such as Sherman, Denison, and these areas, that things like IBM and a diversified light industry, 300 to 400 people, would settle in these regional areas, here and in many of the smaller communities. Like Wilburton has a carpet plant, Poteau has a carpet plant, Weyerhaueser in the south part of the region. But we need to scatter and we need to diversify so that our people in the rural areas have a place to work if they want to actually work at a job and they also have a place that they can live if they want to live in a rural community, which many of us want to do.

At the bottom of the hill we are going to turn into the North American Rockwell area. The North American Rockwell area has quite extensive grounds which is another attractive thing to these light industries because with these attractive grounds, well maintained, you can build even affluent homes right up adjacent in juxtaposition to their property, and this then, does not leave you a lot of wasted space that you have to clear away from an area that people will not want to build right up to.

As you can see, this is well maintained and a credit to any community and gives an incentive to other people who come into your area who want to live here.

Now, this plant has doubled its capacity since it started about, oh, 5 or 6 years ago. It built an area on the back of the plant—as we will go by you will see it—which increased the capacity about 50 percent. Their average is about 200. Of course, both of these plants are partially defense oriented and it goes up and down but they have been able to maintain about a 200 average.

Now, the part that you see at the rear, on this side of the back square building is the part that increased this capacity about 50 percent.

Senator HUMPHREY. What are they manufacturing?

Colonel FULLER. They are manufacturing mostly electronic parts. We have had some of the space stuff and mostly electron—small electronic parts. It is not very heavy stuff.

Lockheed works on Lodestar, parts of Lodestar.

As we go down and approach the highway again, on your immediate right you will see where the McAlester Foundation, a local industrial development group, is clearing a space in our front here that they are clearing out, getting it ready to prepare it as an industrial site. Now, one of the things that the region needs in all of the areas that we are talking about is commitment from EDA to further this kind of clearance where you can put sewer, water, roads and these kinds of things in after the local community can purchase the land and partially complete it. They have reached a limit in the present tax base. As I say, as time goes on and we see these areas begin to increase the tax base, then we move further away from the subsidies that we are talking about. I think we are talking about something that we would not want to do forever, but we just have to have these kinds of help to begin with.

On the left is other areas that could be developed into programs of this sort.

We are approaching a unique industry, Mecco, Marinas Construction people. They started here about 1963 or 1964, with the first ARA loan in this area. This is the forerunner of EDA. It started with five people and a $25,000 payroll. Today it has 100 people and a $500,000 payroll and it services marinas all over the United States.

Now, this is what can be done in the development of small to medium concerns in these kinds of areas. We are not limited to a geographical location. We can move industry to people. I think this is the direction that we have to think in terms of.

We are now going through another part of the town. We are right here (map) and we are moving down into this area, which is another ward in the community and which you will see is still the same kind of housing situation that we had before, although it is not quite as apparent as the one we picked to show you. But you will see that you have good to bad houses, you still have the streets without curbs and gutters, you still have black top which goes to pieces which we are trying to turn into cement. And as I say, we are not thinking in terms of this being a metropolitan area. What we are thinking of is that the growth centers in these regions need to be from 40,000 to 50,000 with all the niceties of a community that can be reached readily by good roads from the smaller communities such as in our area, Talihina, the Hugo area, Wilburton and all of these smaller communities that could never approach city size but which are entitled to the niceties of city living.

Now, we are rapidly approaching the groundbreaking ceremony and the area that we are going to make into our mental and—I mean, our health and social services complex. In this complex we hope to build a great number of things, pull together the mental, the physical health, the rehabilitation, sheltered work shops, the intake center—the shelter for homeless children, day care, social security, all of the things that we give in the way of services, service-oriented, people-oriented things. We are trying to pull them into an area where a person can make a one-time visit. If he has problems, if he has a problem and he just wants help, he can make a one-time visit and by us being able to program him into the system, he can get all of the things he needs to send him away happy, contented, healthy to be a complete and working citizen.

As it is now, many of these services take much time and much wasted effort in order to provide them and we think this is going to be a time saver, a money saver, and will serve the entire region.

Now, you see here we are going down another street which has been developed into a better part of the community by local effort in this particular couple or three blocks. They still need streets. We still have drainage problems. As we cross the ditch down here at the bottom of a hill, this is part of a massive drainage problem that urban renewal and model cities in the community are working on right now which will assist these people uplift or further uplift the homes that they are trying to build and maintain here in this area.

When we come to the far end of this street we will turn to the right and you will see a new concrete section. We will approach a new concrete section. As we approach the first curve in this section we are entering the complex area. It is four blocks deep as you face it from the curve. It goes four blocks south, about two blocks on the left of the road, as we travel that new curved road, and about four blocks on the right. It is about 87 acres in size, mostly rectangular in shape, and this is the area where all of the complex that we are talking about will be constructed.

We are well on the way to completing all the acquisition and planning. We are beginning to move in on financing, which is a very major problem and we hope that everyone appreciates our problem and we have been able to show you some of the needs so that you can think in terms of programing when this occurs.

This is going to be a beautiful area. We are going to leave it as it is with the hills and the woods and this complex will be not institutional in concept. It will be something that when you come into it you will not feel that, you know, you are leaving your home environment and going some place foreign. We hope that the feel of this community when we once establish it will be a parklike complex and something that people can feel at home in who have been reared in this region. And the plans as they look now, seem to be pointed in that direction. Hopefully, they will come out that way.

Now, we will turn and go about two or three blocks down the way. It looks like we have got a crowd. Will you please stay on the bus until we get it parked and most of the people here have named seats. The two front rows on the podium have names. We would like for everybody to sit in their right seat because we have got some introduction problems. The back row is for local people and the two middle rows are for catch-as-catch-can of the agencies that have been marked. We have hostesses to help you get seated and hopefully we will get on with the groundbreaking ceremony. At this point when you dismount the bus, I will turn you over to your genial host, Don Phelps, and he will be the master of ceremonies and I will pick you up when the program is over and take you to the airport.

Colonel FULLER. Ladies and gentlemen, welcome back to the bus tour, we are going to go from here to the airport but we are going to follow through by taking you through an undeveloped urban renewal project. This is the northern part of a new urban renewal project called R–49 in this area. It will include this complex and all of the area that we will traverse until we reach the highway. It will complete the real bad blight in this eastern part of the city. But I would like you to note as we go down the dirt road that we will traverse, on both the right and the left, look down the roads and the streets to see what the other urban renewal area that you left a few minutes ago, over around the public housing, looked like before urban renewal attacked it. This will complete the most dilapidated section of McAlester, which as I said, was our black community.

Once we have completed that, which was a major undertaking, we hope with neighborhood development programing, we will be able to do the things that need to be done in the other housing area.

I am sorry, we ordered up a cloud cover but when we got the report they were afraid if they brought a cloud cover in, we would get 7 inches of rain. So, we called it off. And we will just have to make do with what we have.

On our right is a typical shack in this area. That is all you can call it. People live in them but we certainly want to upgrade those houses. Another one up here on this corner across from the church. People live in that house. People have lived over here well on to 45 years, so we think we need a little bit of work in these areas.

This is another widening of a road paralleling the highway that comes through town which will again take us to the downtown area. We are trying to get at least two major arterials going east and west and two major arterials going north and south, to take our own people out to the industries and to bring shoppers and people into this community who will be taking advantage of better shopping.

Now, as we turn and go under the viaduct, going back toward the highway, you will see on the right another development which is necessary for communities of this type and this is peripheral type shopping, shopping centers. This is our first one of what we figure will probably end up by being two or three. This, again, reaches the regional people who live in the area surrounding growth and trade centers and is a necessary adjunct to the proper shopping facilities for a trade center of what we hope this will be.

Jerry specifically asked me to have you notice, you people from the Washington area, the little sign just as we come toward the Sirloin Steak House. He says these prices do not compare to the ones that we have in Washington. I do not know whether they are cheaper or higher. I think you will find them a little bit cheaper.

Senator **Humphrey**. I would not be a bit surprised.

Colonel **Fuller**. Steak and lobster here is about $2.99. I think you said it was about $7 in your area. So, we would be hopeful someday you will come back and enjoy some of the other things that we have to show you, and that your tour will not be quite as short.

Senator **Curtis**. Is it run by a cattle rustler?

Colonel **Fuller**. It is run by a cattleman, I expect, yes, but you always have to have them suspect.

This boy is from the Ponca City area.

Voice. Red Rock?

Colonel **Fuller**. Yes. Red Rock. That is where he is from.

We are moving now toward the airport on the south. We have the same kind of situation. You will see development along here in what we call highway businesses. We hope there will be a highway industry as time goes on. And backed up to it will be affluent housing, as you can see on the hill to our right front.

We are going to the airport that you came in last night a little bit too late to see or a little bit too late to even feel, I think, but this is a development that is necessary for a regional area, a regional type airport, one that can carry on the modern business schemes that we have, executive craft, in and out freight, and all of the things that are going out in the fast pace of business that needs to be done by air. And this airport will handle all of the executive jets. It will handle most of the big craft that the Navy has to use, C-120's. They have a lot of in and out traffic. Incidentally, you know we have a naval base here which is one of the major bases in the United States, McAlester Naval Ammunition Depot, and it is a big factor, you know, when it is in full operation. It is down a little now. But they have a need for an airport as do almost all of the small industries in this part of the State.

This airport is about 5,600 feet long. We just added a little over a thousand feet to it this past year. We have got something like, oh, I would say half a million dollars, $300,000 of that in bonds, $200,000 of it from EDA. We have got some Ozarka money and we feel like we have a facility that we can handle the regional air traffic that will see us, oh, maybe 10, 15, 20 years in the future at least.

Now, at the airport there will be available coffee and cold drinks. Take whatever time you need. I think you were scheduled for takeoff at 10:15 and then 10:30. Our original time was 11. You are trying to make up time. We are a little bit behind. We are not too far behind. If you have any last minute things that you think about that you would like to leave a message for us to transmit or if you would like to make a phone call, we have got a phone available there. You can leave a message with us. Anything you forgot, tell us about it, we will go get it and see that you get it. I think we have gotten everything out of your hotel rooms, including the people that were left there, and [laughter]. And they are down at the airport along with the airplane.

If we have missed anything, we are going to be here and just give us a call.

Senator HUMPHREY. Call Carl Albert. [Laughter.]

Colonel FULLER. Right, call Carl Albert and tell him to come back.

We invite you back any time. I will leave you as official narrator at the bus. It has been a real pleasure talking to you, visiting with you. I hope that we have given you some little food for thought that will help you in your deliberations when you get back into your committee meetings. I hope that you will remember us, not as McAlester per se, but as a community which has problems, and when you are helping us, you will be helping most of the regional areas at this time in the United States, I can assure you. It has been a pleasure again. If you have any questions I will try to answer them before we get to the airport. We have got a few minutes. If you have any questions I will answer them now. If not, I will see you at the airport and hopefully, see you some other time when you have more time to spend in our community.

Thank you very much. [Applause.]

(Statement filed for the record is as follows:)

MCALESTER, OKLA.,
September 2, 1971.

GENTLEMEN: On behalf of the Citizens of McAlester, I wish to extend to each of you a cordial welcome to our City. In the hope your visit to McAlester will be both informative and enjoyable, enclosed is a packet of materials on our community, our region and current development activities you will be viewing.

To start the tour, you are invited to be the guest of the City of McAlester at an informal breakfast, beginning at 7:00 a.m., on September 9, 1971, at the Holiday Inn.

Sincerely,

HARRY W. OWENS, *Mayor*

LOOKING BACK

The present southeast Oklahoma was first claimed by the French as part of the territory of Louisiana. Ceded to Spain in 1763, it again became the property of France in 1800. In 1803 it was sold to the United States. By the Treaty of Dancing Rabbit Creek signed in 1830, the Choctaw Indians agreed to sell all tribal lands east of the Mississippi to the Government and move the Choctaw people to an area now bounded by the Canadian and Arkansas Rivers to the north and the Red River on the south. The Treaty of Pontotoc, signed in 1832 and effected in 1837, gave to the Chickasaws the western portion of this land, leaving to the Choctaw Nation what today is essentially the seven counties of Kiamichi Country.

The City of McAlester was founded in 1870 by John J. McAlester as a tent store located at the intersection of two important wagon trails, the California Trail and the Texas Road. The original townsite was incorporated as North McAlester in 1899. The natural growth was southward to the junction of two major railroads, the Chicago, Rock Island, and Pacific, and the Missouri, Kansas, and Texas Line, where in 1890 a second town was founded. As the area continued to grow, the two townsites were consolidated into one city in 1905. Coal mining, agriculture, and trade had created a thriving community by 1907 when Oklahoma became a state. The year following statehood Pittsburg County was incorporated with McAlester its county seat.

In the years since, the hilly, forrested southeast Oklahoma counties have undergone great change. The wagon trails have given way to roads and highways for automobiles; towns, farms, and ranches have dotted the countryside; governmental services have been established; and McAlester has grown to a population of 18,802. As the transportation and communication networks developed in the area, the pattern tended to correspond with McAlester as the trade center. Major highways passed through McAlester; and the regional airport and largest library, newspapers, and radio stations located in the city.

However, the natural scenic beauty masks and is in part responsible for other changes which have tended to lower the quality of life for the residents. The highways that were built did not overcome the rough terrain; the economic activities to which the people were oriented were of a declining nature; geographical isolation and economic disadvantagement led to further problems of undesirable environmental conditions, poor health, and low educational attainment; and other political and economic forces at the same time were creating large metropolitan areas, particularly Oklahoma City and Tulsa, which were attracting the younger workforce and resulting in a steadily decreasing population in southeast Oklahoma and a steadily increasing proportion of aging persons in the population left.

The basic economic problem in southeast Oklahoma is lack of diversity. Traditionally, the economy of the area has been tied to agriculture and mining. The small agricultural operator without capital to expand, typical of the southeastern portion of Oklahoma, has been left under-employed or forced out of business by the price-cost squeeze. Many economic factors, particularly the limited uses for the type of coal available and high transportation costs, combined to make extraction of the remaining coal reserves unprofitable. An excessive labor supply resulting from lack of job opportunities has depressed wage rates to extremely low levels. These conditions have resulted in outmigration, particularly of the young and technically and professionally trained. (Charts 1,2 and 6)

McAlester, having continued as the trade center of the area, has had a more diversified economy. McAlester also has had several longstanding sustaining industries, including two government installations. One governmental industry, the Oklahoma State Penitentiary, has been stable. The other, the Naval Ammunition Depot, has fluctuated, but was principally responsible for growth of the City subsequent to 1910. The population of McAlester remained fairly constant from 1910 until 1940. During World War II, however, the establishment of the Depot with a peak employment of over 10,000 brought a booming economy and sudden growth to the community. Following the war and reduction of employment at the Depot, McAlester again went through a static period with a small decline in population until about 1960. (Chart 5)

However, the problems of the surrounding area have impacted on McAlester in two ways. First, the volume of trade in McAlester has related to economic conditions in the trade area. Secondly, the economy of McAlester has been attractive to surplus workers from the area, particularly the unskilled, who have moved to the community hoping to find jobs and created the same cycle of unemployment and under-employment.

The general economic disadvantagement led to a low tax base and deprived the area of funds needed to do public facility improvements and build and repair roads and highways. Also impossible was adequate provision of the educational, health, and social services made even more necessary by the economic conditions. As already presented, 62% of persons 25 years of age and older living in the seven southeast Oklahoma counties in 1960 had completed eighth grade or less; only 10% had received any college education. (Chart 6) There is one two-year college in the area, Eastern Oklahoma State College at Wilburton.

Statistics on economic disadvantagement also correlate with public health statistics which verify high incidence rates for tuberculosis and other infectious diseases in southeast Oklahoma. For example, the tuberculosis case rate for the state from 1965 to 1968 shows a state rate of 21.4 new cases per 100,000 people. In comparison, the rates for southeast Oklahoma during the same period were considerably higher in all but one county than the state rate. (Chart 7) Only two counties in the area recorded lower infant death rates than the state rate in 1968. (Chart 8)

McAlester, as the trade center, has also become the natural center for health services which cannot economically be provided in the smaller communities or reasonably passed to health centers in metropolitan areas. McAlester has developed an approximately 200 - bed capacity in two general hospitals, which have provided services to the six smaller general hospitals in the area. However, both McAlester hospitals have become obsolete by current standards and cannot be modernized to meet the advancements in medical knowledge and methods at any justifiable cost. Moreover, the existance of two hospitals has created inefficient duplication of facilities, while preventing either hospital from having enough income to provide new and sophisticated health services. It has been increasingly difficult to recruit to such facilities physicians who have trained to practice under conditions of the latest facilities, auxilliary services, and equipment. Only 3.4% of the total health manpower in Oklahoma in 1969 was located in the Kiamichi area; yet the area had 5.5% of the state population in 1970.

Chart 1: POPULATION OF SOUTHEAST OKLAHOMA - 1910 to 1970

1910	159,634
1920	216,161
1930	194,719
1940	213,697
1950	163,304
1960	130,901
1970	141,005

Chart 2: AGE GROUPS IN SOUTHEAST OKLAHOMA - 1930 and 1960

	1930	1960
19 and under	48.69%	37.38%
20 - 34	22.58%	13.10%
35 - 54	19.81%	23.65%
55 and over	8.87%	25.47%
Not reporting	.05%	- -

Chart 3: RACIAL COMPOSITION IN SOUTHEAST OKLAHOMA - 1970

White	86.6%
Non - White	13.4%

Chart 4: INCOME IN SOUTHEAST OKLAHOMA - 1960

Under $1,000 per year	12.4%
$1,000 to $2,999	44.8%
$3,000 to $4,999	21.8%
$5,000 to $6,999	11.3%
$7,000 to $8,999	4.9%
$9,000 and over	4.8%
Median Income	$2,602.00

Chart 5: POPULATION OF McAlester - 1910 to 1970

1910	11,774
1920	10,632
1930	11,804
1940	12,401
1950	17,878
1960	17,417
1970	18,802

Chart 6: EDUCATIONAL LEVELS IN SOUTHEAST OKLAHOMA - 1960

8th grade or below	61.6%
1 - 3 years high school	15.4%
High school graduates	13.3%
Any college	9.7%

Chart 7: TUBERCULOSIS CASE RATES* IN SOUTHEAST OKLAHOMA COUNTIES - 1965 - 1967

Choctaw	29.2	McCurtain	50.0
Haskell	19.9	Pittsburg	38.9
Latimer	38.8	Pushmataha	77.4
LeFlore	48.5		

* New cases per 100,000 people

Chart 8: INFANT MORTALITY RATES* IN SOUTHEAST OKLAHOMA COUNTIES - 1968

Choctaw	25.8	McCurtain	14.2
Haskell	40.0	Pittsburg	26.5
Latimer	23.5	Pushmataha	21.4
LeFlore	19.5		

* Rate per 1,000 live births

In the last decade, a combination of factors has begun to foster a new era of growth in the Kiamichi area. A number of federal programs oriented toward the needs of such areas became available; the State began a concerted effort to develop a stronger industrial base;and growing local awareness of area problems generated local leadership for their solution.

Recognition of the need for new industry to provide a more diversified economy was the impetus for the organization of the seven-county area, in 1966, into the Kiamichi Economic Development District of Oklahoma, with the board of this association composed of representatives from each participant county. After designation of the District in 1967, a staff was formed which is presently engaged in economic development, law enforcement, and health planning.

Two major industries and a number of smaller ones have since located in the KEDDO area. Congoluem Carpets opened a plant in Wilburton in 1969, with employment of 500. Capitalization on the natural forest resources of the extreme southeast brought Weyerhauser into McCurtain and Choctaw Counties in 1969, with an expected employment of 1,500 at capacity. The main plant is at Valliant, with Quadrant, manufacturing modular homes, located at Hugo. Perdue Industries, a custom home-building firm, located in Stigler in Haskell County in 1969, providing 100 jobs. A second Perdue plant employing 50 persons was built in Idabel in McCurtain County in 1970. Poultry processing plants have located at Idabel and at Heavener in LeFlore County, each employing 250 persons. A garment plant, Kellwood Manufacturing Company, located in Idabel in 1968. New methods of processing have enabled the opening of new mining operations, particularly the Howe Coal Company in operation near Heavener and the Kerr-McGee mine at Stigler. Enlargements of two long-time industries, Wells Lamont, a glove manufacturing concern at Hugo, and Graphics, Inc. at Poteau in LeFlore County, which manufactures panel boards and regulation centers for automatic climate control systems, have expanded Wells Lamont by approximately one-third to a present employment of 300 and Graphics to an expected doubling of the present employment of 120 in the next two years.

A 102,000 acre body of water, Lake Eufaula, was constructed north of McAlester from 1956 to 1965 as a resevoir. Its primary purposes of flood control, water for industrial use, and a potential source of electrical energy are expected to impact heavily on future industrial growth. Initially, however, the Lake and the recreational areas and two State lodges built along its shores have sparked interest in utilization of the natural scenic beauty and Indian history of the area as an attraction for tourists. A nonprofit organization to promote tourism, Kiamichi Country Inc., was organized this year. With consultive assistance provided by a $30,000.00 grant from OZARKA, plans are being laid for publicity to be built around a theme of Indian heritage, possibly utilizing a self-guided Indian Trail. Ground has been broken for one link in the tour, a $288,230.00 Choctaw Indian Cultural Center being constructed in Hugo.

Manpower training programs have been utilized to stimulate industrial development. Three Vocational-Technical Schools were funded in 1968, by a $325,000.00 building bond issue and a 3.5 mill levy for operational purposes voted by the citizens of Choctaw, Latimer, LeFlore, and Pittsburg Counties which compose Vocational-Technical District # 7 and matched by $1,375,000.00 in EDA funds and $325,000.00 from Ozarka. All three schools, located in Hugo, McAlester, and Poteau, are now open and provide a wide range of training capabilities. The schools are complemented by a technical education program established at Eastern Oklahoma State College in 1968 and offering more advanced programs in a number of fields. A Career Planning Service sponsored by the State Department of Vocational and Technical Education and the Counseling Section of the State Department of Education was initiated this year in the KEDDO area to supply information concerning available jobs, job shortages, job stimulation activities, and training opportunities within the home area to pre-job market students, dropouts, and unemployed individuals. A mobile unit will be utilized to reach persons in remote areas. Another educational service using mobile units is the Choctaw Nation Multi-County Library which provides bookmobile service to Haskell, Latimer, LeFlore, and Pittsburg Counties. This entity was funded in 1970 by a 2 mill levy voted by citizens in the counties served and also provides through Oklahoma Teletype Inter-Library System a source of books not owned by area libraries.

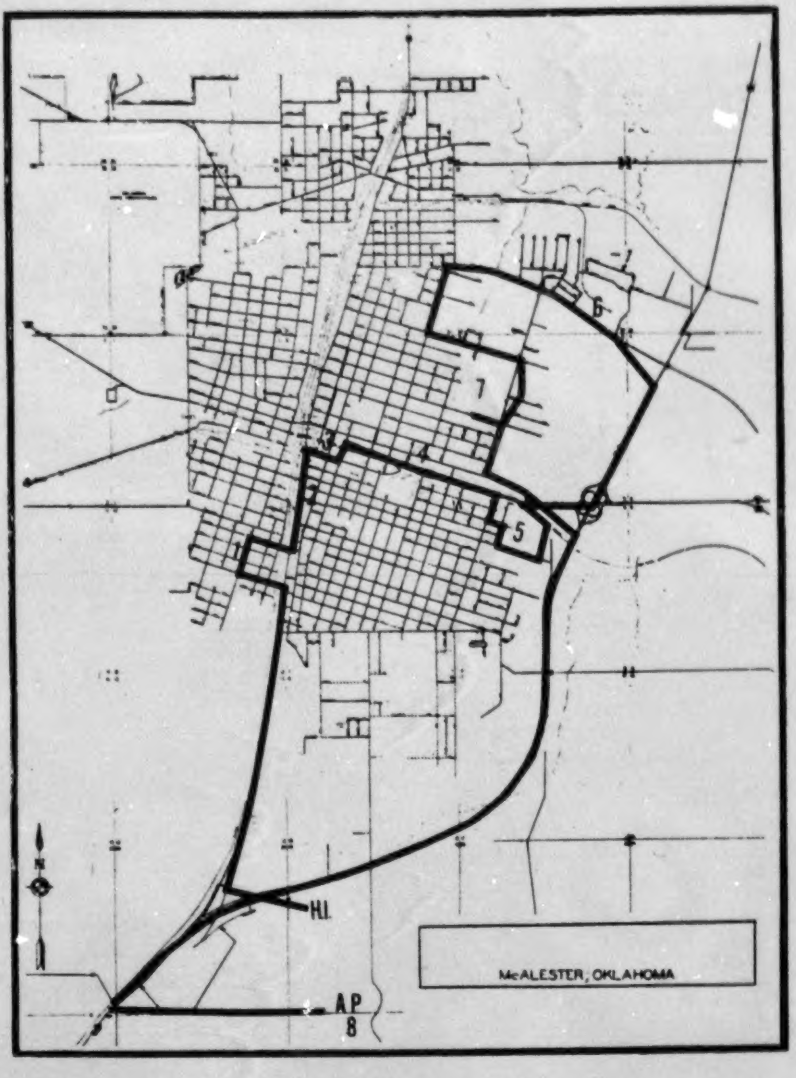
The Indian Nation Turnpike, constructed with bond monies and completed in 1970, intersects U.S. 69 four miles South of McAlester and traverses the KEDDO area. It has lessened the isolation of residents and improved market transportation.

Another transportation link is the Arkansas-Verdigris Navigation System, under construction in Arkansas and Oklahoma. The 436-mile long inland waterway follows the Arkansas River and its tributary to the Mississippi River. This waterway can be expected to soon begin to have significant impact on area industry, particularly coal mining which has been partially destroyed by high transportation costs out of inland Oklahoma. The first barges loaded with coal left the Port of Keota in Haskell County in July of this year. Coal mining operations in Haskell County are accessible to the Arkansas River Waterway by the Channel of San Bois Creek, which is part of the Robert S. Kerr Reservoir.

A variety of programs have been utilized to provide environmental improvements, mainly funded to complement industrial development. EDA has expended approximately $3 million on residential water improvements; FHA has funded close to $2 million in loans and grants for residential water improvements. Expenditures for residential sewer improvements have included approximately $400,000.00 from EDA; over $600,000.00 in loans and grants from FHA; and about $300,000.00 from Ozarka, DOA, EPA, and the Federal Water Pollution Control Administration. Public housing construction has included 16 units at Clayton, 20 units at Hartshorne, 36 units at Wilburton, and 126 units at Hugo. Mutual help housing constructed in all seven counties in the KEDDO area through the Choctaw Nation Housing Authority totals 364 completed; 274 under construction; 300 approved; and an additional 1,200 requested during the next three years. 116 units of low-rent housing have been completed by the Authority in five of the seven KEDDO counties.

The commercial and industrial orientation of the McAlester economy has steadily increased. In the last decade, the community has, utilising the Urban Renewal Program, nearly completed the replacement of blighted areas of the central business district. New industries have been attracted through the efforts of the Chamber of Commerce and the McAlester Industrial Foundation, a non-profit organization established for the purpose of incentive funding. The City has one of the first Community Coordinated Child Care Programs in the nation to be recognized. In 1967, McAlester embarked upon a program to concentrate fragmented and obsolete resources aimed at physical, mental, and social health into one modern center projected to service the entire region, providing the facilities and drawing patients from a wide enough area to attract to the center the specialities now missing or in short supply in southeast Oklahoma and increasing training and employment opportunities for the unskilled and semi skilled. Community residents donated land for the McAlester area Vocational-Technical School and have supported the school each year with additional operating funds through the Model Cities Program. Also in the field of education, a new McAlester Public Library was completed in 1969 with offices and service areas included for the headquarters of the Choctaw Nation Multi-County Library system. Principally through Urban Renewal and Model Cities, problems of poor housing, streets, and sewers have been attacked. Planning has been initiated by the Model Cities Crime and Delinquency Task Force for a regional corrections program. Access routes to industries and the commercial trade area have been upgraded, and the capability for air transportation has been enhanced by airport improvements.

The people of McAlester have assumed a leadership role in the region and undertaken activities which are a force for progress.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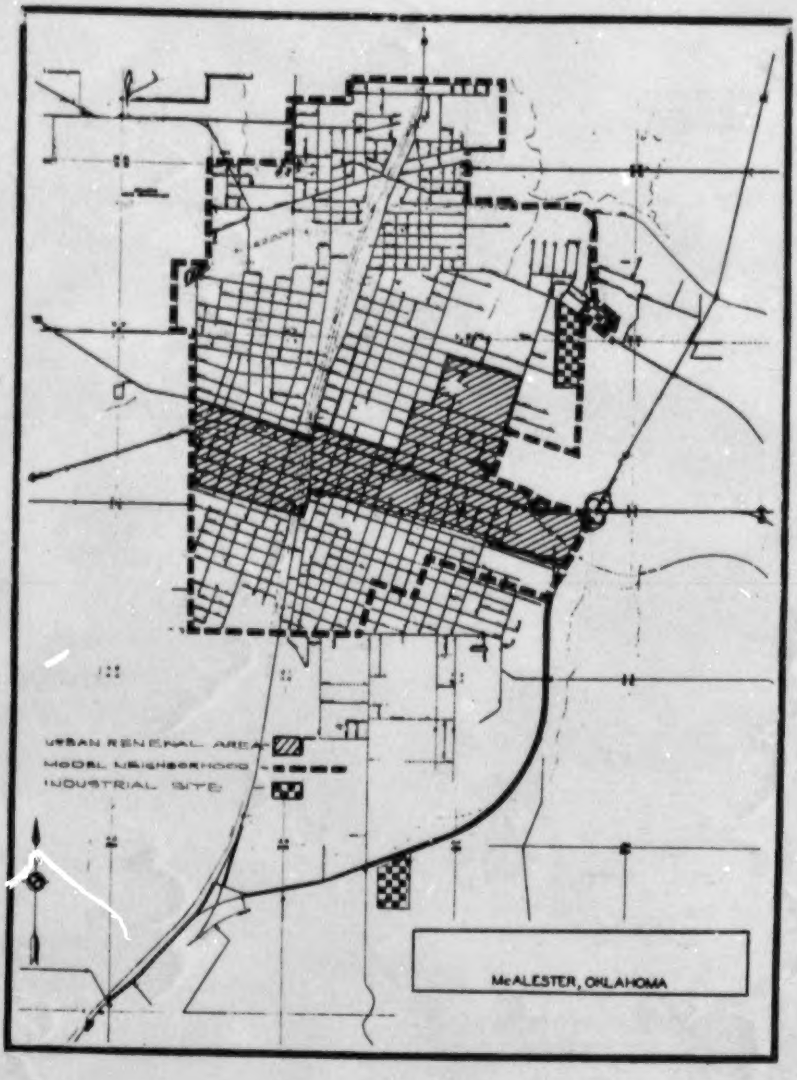

URBAN RENEWAL AREA
MODEL NEIGHBORHOOD
INDUSTRIAL SITE
McALESTER, OKLAHOMA

AREA 1

This area lies within the Model Neighborhood. The population is composed of 35.9% persons 19 years of age and under, 31.4% from 20 to 49, and 32.7% 50 years and over. There are 94.8% white and 5.2% American Indian. 17.4% of the population receives some type of welfare assistance; 46.3% of households receive annual income of $3,000.00 or less. The educational attainment of 45.6% of the population is jr. high or less. 90.2% of the housing is substandard or dilapidated. Most houses are on city sewer, but sewer lines are very old. Streets are primarily asphaltic or dust cover, without curbs and gutters.

AREA 2

This is an NDP Area, Okla A-1, Area C, funded in October, 1969, and including 54 square blocks, 16.7% commercial and 83.3% residential. In the first year, 12 houses were rehabilitated. Second year activities included the rehabilitating of 14 homes, the purchase of 16 commercial structures, and the relocation of 20 businesses. Demolition has begun in the area, and plans this year call for the paving of two streets and the acquisition of eight more parcels of land.

AREA 3

This is the downtown Urban Renewal Area, Okla. R-19, funded in December, 1964, and now 80% complete. 42 structures have been purchased and demolished; 82 businesses have been relocated. Acquisition costs total $1,359,936.65; demolition costs to date are $79,897.72; and relocation costs are $212,051.00. 21 parcels have been sold and redeveloped. There are four lots presently for sale. The acquisition and demolition of one more structure, the Co-Mar Hotel, is planned. It is estimated $7.8 million has been invested by private capital in this area since the project began, including $289,181.00 for the purchase of land from Urban Renewal. The most notable investment by private enterprise has been the building constructed by the First National Bank at a cost of $111,000.00 for land and $1,197,000.00 in construction and now housing the bank, a mall for small businesses and offices, and an S.G. Kress store. Increased employment in bank personnel is from 50 to 58 or 15%. Also in the same block is a new City parking lot, built with Revenue Bonds at a cost of $127,000.00 on land purchased from Urban Renewal for $23,000.00. Two blocks of street were widened in the downtown area by the downtown merchants at a cost of $17,000.00. Other expansions are the National Bank, being remodeled and doubled in size, and a third bank recently opened, the American Bank of Commerce.

AREA 4

This Urban Renewal Area, Okla. R-31, was funded for $1,800,000.00 in 1967 and is 50% complete. To date 70 houses have been acquired for a cost of $498,573.66; 70 households have been relocated into standard structures at a cost of $115,471.60; and 59 houses have been rehabilitated for an expenditure of $421,044.00 (loans and grants). Site clearance has accounted for $16,000.00. Improvements of sewers, storm drainage, and 4.5 miles of streets total $754,213.75. The 80 units of public housing in this area, built for $890,517.00 and designed primarily for families, were completed in March, 1970. The neighborhood facility in the housing area cost $84,032.00 and is serving the housing units and the surrounding area as a meeting place and as the location of a Neighborhood Health Station , funded by the Health Department and Model Cities.

AREA 5

This is another portion, Area B - South, of the NDP Area, Okla. A-1, covering 29 square blocks and now 2[illegible]% complete. In the first year the project allowed for the acquisition of the Vo-Tech School site; the paving of Wyandotte Avenue from 11th Street to 69 By-Pass; the installation of storm sewers and part of the street paving, the providing of sanitary sewers to serve the Vo-Tech school and service the surrounding residential area. Eight structures in the school site were acquired and demolished; those eight families were relocated into standard housing. Three houses were also rehabilitated in this area in the first year. During the second year, Wyandotte is being paved from 11th Street west to 3rd Street, and storm drainage and sewers are being installed. Four houses have been rehabilitated. No further Urban Renewal work is planned in this area. Total construction cost of the 32,000 square foot Kiamichi Area Vocational Technical School located at McAlester was $559,680.00; and equipment cost was $392,612.00 including $42,625.00 received from the Model Cities Program. McAlester citizens raised funds from donations in the amount of $40,000.00 to purchase the McAlester site which was given to the Vo-Tech District. 358 students, approximately 50% adults, have received training in regular classes in the school from its opening through the last semester. Another 304 have taken short courses. Last semester in the nine-classroom building and four of the five trailers furnished by Model Cities 24 classes were taught between 8 and 4 daily. The fifth trailer is utilized as a learning lab for improvement of basic skills in reading, language and math. Course offerings included: Machine Shop; Air Conditioning, Refrigeration, and Heating; Child-Care and Guidance; Cosmetology; Graphic Communication; Auto Mechanics; Health Occupations; Drafting and Design; Carpentry and Construction; Electronics; Business and Office Education; Practical Nursing; and Ward Clerk. 143 adults and 378 youth completed training in these classes. Evening offerings included: Beginning and Advanced Air Conditioning, Refrigeration, and Heating; Auto Mechanics; Beginning Typing; Advanced Typing; Shorthand I; and Shorthand II; Beginning Accounting; Advanced Accounting; Carpentry and Cabinetmaking; Child-Care and Guidance I; Drafting and Design; Electronics II; Commercial Art; and two classes of Nursing Assistant. 270 students, all adults, completed training in these classes and four short courses. There is a teaching staff of 16 day teachers, 14 night instructors, and three counselors. Child-Care Coordinators also work part-time in 4-C Committee Child-Care Centers providing training for staff. Operational cost of the school is $422,609.99, $28[illegible],609.99 50% from the mileage and 50% from the State and the remaining $141,000.00 from Model Cities.

AREA 6

This is a prime industrial area in McAlester. Industries already located here are Lockheed-California Co., North American-Rockwell Corp., and MEECO Marinas, Inc. Lockheed came to McAlester in 1962 and now employs 78 people for an annual payroll of $750,000.00, a 67% increase over the first payroll of $450,000.00. Originally housed at the United States Naval Ammunition Depot, the company built this plant in 1967. North-American located here in 1964 and, after an expansion in 1967, presently employs 214 persons at an annual payroll of $2,000,000.00, double the first annual payroll of $1,000,000.00. MEECO Marinas has expanded twice since building of the original plant in 1961 to a present employment of 97 from 5 and payroll of $500,000.00 annually, a twenty fold increase over the initial payroll of $25,000.00. Also in this area is one of the four industrial sites owned by the McAlester Industrial Foundation. This site does not yet have sewer and water or other improvements. An industrial park study is in progress with funding of $20,500.00 from EDA and $12,500.00 from Model Cities.

AREA 7

This is the area in which the Health and Social Services Center will be constructed. Three blocks north of the site land has been purchased by the school system for a $1,000,000.00 middle school to be funded 50% by Model Cities and 50% by a school bond issue. Two streets have been paved leading to the site at a cost of $441,000.00, Monroe Avenue on the south and 13th Street, a four-lane, on the west. This is intended to be used as the match for an Urban Renewal Area to the south, Okla. R-49, for which $61,511.00 has been expended to date in planning. This can provide the drainage and relocation of the site and pave 13th Street to curve to meet 11th Street leading to Carl Albert Parkway, as well as rehabilitating a residential area of some 16 blocks. The population of the area of the Model Neighborhood surrounding the center is composed of 38.4% persons 19 years of age and under, 33% from 20 to 49, and 28.6% 50 years and over. There are 85.9% white, 12.5% black, and 1.6% American Indian. 18.2% of the people receive some form of welfare assistance; 36.3% of households receive annual income of $3,000.00 or less. The educational attainment of 30.4% of the population is jr. high or less. 76.2% of the housing is substandard or dilapidated. Most houses are on City water, but water lines are very old and too small for the load. There is only one sewer line running through the area. Streets are primarily dirt or dust cover. The site for the Health and Social Services Center consists of 86 acres. 87.5% of the land has been purchased at a cost of $361,736.52 in Model Cities funds. This includes $29,000.00 for a modern house which is being used as a Youth Shelter and $23,400.00 for a church which is 70% complete and will be used as a Child-Care Center. A nine-member trust appointed by the City Council is operating the program, and a half-time Director and supportive staff and consultants have been hired from Model Cities funds in the amount of $57,038.81. The Youth Shelter was opened in March of this year and has cared for a total of 94 children. Operational funds in the amount of $12,500.00 annually are 60% provided by the Oklahoma State Department of Institutions, Social and Rehabilitative Services and 40% by local donations. Furnishings were also provided by local contributions. The Child-Care Center will be operated by the McAlester 4-C Committee, Inc. which began in May of 1970 with four children in one center and now administers three centers for 193 children. Initial funding was $6,711.00, Local; $14,000.00, Model Cities; $30,000.00 HEW Title IV-A, State; $10,343.00, DOA; $1,184.00, CAA; $11,067.00, DOL; and $2,617.00, OJT. This year a $72,000.00 grant was received from the State Department of Institutions, Social and Rehabilitative Services, matched by $24,000.00 in Model Cities funds. Other installations planning to locate in the Center are the Pittsburg County Health Department; Pittsburg County Department of Institutions, Social and Rehabilitative Services; a general hospital and continuing care center; Community Mental Health Center; Vocational-Rehabilitation Center, including sheltered workshop and dormatories.

AREA 8

Airport improvements were completed between 1969 and 1971. Included were: land acquisition; extension of the runway 1,600 feet from 4,000 feet to 5,600 feet; building of a new road from the highway to the terminal and a parking area in front; construction of taxi-way turnaround; additions to taxi aprons; addition of extra tie-down area; rehabilitation of hangers; remodeling and air conditioning of terminal; fencing; rehabilitation and extension of medium intensity runway lighting; rechanneling of creek. Total cost was $960,000.00 with sources of FAA, $400,000.00; Ozarka, $120,000.00; State Aeronautics, $10,000.00; and local, $430,000.00 from $400,000.00 from bonds and $30,000.00 in-kind

(Note: The plan for health and social services for southeastern Oklahoma is on file with the subcommittee.)

RURAL DEVELOPMENT

FRIDAY, SEPTEMBER 10, 1971

U.S. SENATE,
SUBCOMMITTEE ON RURAL DEVELOPMENT,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Lincoln, Nebr.

The subcommittee met, pursuant to recess, at 1:15 p.m., at the Kellogg Center, University of Nebraska, Hon. Hubert H. Humphrey (chairman of the subcommittee), presiding.

Present: Senators Humphrey, Curtis, and Bellmon.

Senator HUMPHREY. I wish to call to order the Subcommittee of the Senate Committee on Agriculture and Forestry, the Subcommittee on Rural Development.

STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator HUMPHREY. Just for a word of background as to the purpose of this visit, the work of the subcommittee: the subcommittee was established this spring, in the month of April, as a result of legislation which was adopted the year before, title IX of the Agricultural Act of 1970. That title directed the Government of the United States, both executive and legislative branches, to design and execute policies of government directed toward a better urban-rural balance or, to put it in simpler language, to encourage and promote the development of the rural areas of our country.

When we use the term "rural" we are not merely talking only about the family farm, even though that serves as the basic economic structure of rural America—we also are talking about communities of 50,000 or less in size, a figure which is generally accepted as being nonmetropolitan. And we are talking about those areas that surround those communities. So rural development includes the farm, the agricultural producer; it includes the trade center, the community center, the village, the town, and the small city.

It is the judgment of many of us that these parts of America have been neglected and as a result of that neglect we have in part contributed to what we term the urban crisis.

We are here at a university campus. I think it is fair to say that those of us who have been privileged to attend universities or teach at universities hear a great deal about our urban crisis. In fact, our Nation is urban oriented even though it depends in a large measure for its prosperity and its security upon agriculture and rural life.

I find in Washington, for example, that when we have a hearing before the Joint Committee on the Economic Report, which is one of the prestigious committees dealing with the economy, that it is almost impossible to get testimony about rural America. Our economists speak seldom of rural economics. Our sociologists are primarily concerned with urban life.

We seem to forget that most of the poverty in America is not in our cities but it is in the rural countryside. We seem to forget that the poorest housing in America is not in our cities but in rural America. And we seem to forget that we have experienced in this Nation in the last 30 years the greatest migration of people that modern recorded history has ever known. Thirty million Americans have left our Nation's farms to move into the large cities. Many of these Americans have been unprepared for urban life and most cities have been totally unprepared to receive such an influx of population.

So today we see the paradoxical situation, and yet it is also tragic, of cities incapable of meeting the needs of people to provide the social services, cities congested, noisy, dirty, crime-ridden, obsolete facilities, slums, bankrupt in many instances or close to it, and we see a rural countryside depopulated, small towns dying, other towns fighting for their existence, and many of our young people who are desperately needed for future leadership in our smaller communities moving from the rural countryside to the city because that is where they think opportunity is to be found.

Now we have been trying to examine the why's and the where's of this. We have been trying to learn. This subcommittee does not have all the answers. If we did, we would be back in Washington trying to legislate.

We think we are picking up some information. There is no one specialist in this field and there is no one agency of Government or of community that has the answers or knows exactly what to do.

I think we can start out by saying that nothing will happen unless there is community leadership. It won't be done from the top on down; it has to come from the bottom up. And I believe it is fair to say that our purpose as we have traveled in South Dakota, in Iowa, Alabama, Georgia, Oklahoma, and now Nebraska—and we will go to many more States in the next 6 or 7 months—that our purpose is to learn, to hear from Governors, officers of government, to hear from farmers, hear from doctors, as we did last night in McCook, to hear from people who are merchants, to hear from bankers, to hear from young people, students and nonstudents, black and white, to hear from people in community action programs and chambers of commerce, and I think we have heard from most of them.

We will have several hundred witnesses before we are through with our hearings and might I say most respectfully it is impossible for us in any one day to hear all the witnesses that would like to testify. Therefore, we solicit your memorandums; we solicit your statements. They will be made a part of our record and we study that record. We have a staff that analyzes it. We seek to find suggestions from it that might be of help.

This morning we were in McCook in the western part of your State. We were there and visited with the widow of the late Senator George Norris, Mrs. Norris who is 97 years of age and who is remarkably bright, alert and articulate. We visited the home of the late George Norris. Senator Curtis made an announcement there about the Government establishing the George Norris Park as a historical monument.

Senator Norris was an inspiration to me all of my life. He was a bold man. He was disenthralled with the past. He looked to the future. He was a father in many ways of rural development. He was the originator of the rural electrification concept. He was the first man to understand in our time the mobilization of resources and planning that was consummated in the Tennessee Valley Authority. I think he was a great teacher and today we are learning in the land that gave him to us.

And with that, may I say that our hearing today will proceed.

We have with us as members of this committee your own distinguished Senator, Carl Curtis, the senior minority member of this committee, and Senator Henry Bellmon of Oklahoma. We also have been in his State.

I should say to you in jest as well as in good humor that I have tried to be a moderator between these two protagonists——

[Laughter.]

Senator HUMPHREY (continuing). Since I come from the State of Golden Gophers where we do not aspire this year to be No. 1 in football. [Laughter.]

We would aspire if we thought we could make it.

I have done two things: At the request of Senator Bellmon, when I have been here in Nebraska, I have waged psychological warfare against Senator Curtis; and when I was in Oklahoma at the request of Senator Curtis, I waged psychological warfare against Senator Bellmon. In other words, I am willing to be a disrupter.

But in all honesty, we are not just interested in the fellowship that comes from intercollegiate athletics; we are interested in something much more important, that is, the future of our country.

With this I want to turn the microphone over to Senator Curtis, then Senator Bellmon, and then we are going to hear from your distinguished Governor and proceed with our hearing.

STATEMENT OF HON. CARL T. CURTIS, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator CURTIS. Thank you, Mr. Chairman. I am delighted that this committee could come to Nebraska. I assure you that there is no individual in the U.S. Senate that is more deeply interested in rural America than our distinguished chairman, Senator Humphrey. He has given a lot of time to this and has been very helpful in all parts of the country.

We are also privileged that another member of the committee here today is Senator Bellmon, former Governor of the State of Oklahoma, a farmer who lives on a farm. Farming is his business other than his public service.

Rural development to my mind can be easily defined. It is the creation of job-producing enterprises in rural America. It does not take as many people to produce our food as it did in days gone by and we need more jobs not only for young men and women but also for people of all ages.

These efforts should never be a substitute for adequate farm income but the industrial development should be in addition thereto.

Mr. Chairman, I have a longer statement that I shall place in the record but I understand our Governor has a rather rigid time schedule and I thank you and we do appreciate the fact that the committee is here.

(The prepared statement of Senator Curtis is as follows:)

Senator CURTIS. I am delighted that this Subcommittee on Rural Development has come to Nebraska for a hearing. It is fitting that Nebraska was chosen as a location for this hearing because it is an important part of the agricultural heartland of America. I am grateful to Senator Humphrey as chairman of the subcommittee for his part in bringing this hearing to Nebraska and for coming himself to give it a national significance that is much deserved by agriculture and the people who labor in it, both on the farms and ranches and in the small towns. I am equally grateful to Senator Bellmon of Oklahoma for being here.

There are people who have said and pundits who have written in recent years that agriculture is dead and that rural America is dead politically. They have drawn this view from the declining population of the rural areas and the big increase in population in metropolitan centers of the east and west coast. They have said, in effect, that the voting power of rural America has dwindled to the point where it no longer means anything because it is so small in relation to the voting power of the cities.

The presence of this subcommittee in Nebraska today is proof to the contrary. There is a healthy spirit of competition between the leaders of both of our great political parties to tackle and try to solve the problems of rural America. It is the type of competition that has made our country great, economically as well as politically.

I have long said that the people get the best government when one party is in power and the other party is almost in power. Senator Humphrey comes here not only as a former Vice President but also as a candidate for President who came within relatively few votes of being elected President in 1968, and who is very much talked about, albeit by others, as a potential and promising candidate for President in 1972. I welcome him to Nebraska.

Senator Bellmon is a promising new Member of the Senate from Oklahoma. He is a former Governor. He couples the experience of Governor with several productive years as a legislator specializing in agricultural matters in the Senate. I was pleased to be with him at a similar hearing in Oklahoma yesterday, and I welcome him to Nebraska today.

We are here as Members of the Senate today to listen. The purpose of the subcommittee is to find out from people at the State and local level in Nebraska what steps they feel the Federal Government can and should take to help spur economic development in this area. We also want to know what restrictions the Federal Government by its actions and policies has placed on the economic growth of our area—restrictions that very well may need to be removed or modified in order to allow rural America to play its rightful part in bringing about a more balanced growth throughout America in the future.

I want to make it very clear that under no circumstances should rural development be considered as something in lieu of, or os a substitute for, additional farm income. We need rural development in addition to increased farm income.

I feel very strongly that we need to increase the limit that has been placed by Federal law on the amount of tax-exempt bonds that can be issued by a State or local unit of government to help finance an industrial development project. The present limit is $5 million. It was placed there by the Congress after the Treasury Department under the previous national administration attempted to do away with such bonds as a method of encouraging industrial growth in the rural areas. The $5 million limit was the best we could save at the time. I am a sponsor of pending legislation to increase the limit to $10 million. I hope that the testimony before this subcommittee will help bring about the passage of this legislation of importance to Nebraska's IDA (Industrial Development Amendment to the State Constitution) Bond Program.

It may be necessary to provide new and expanded and different types of credit to help spur rural economic development. The hearings held by this Subcommittee will help the Congress to make important determinations in this area, too. My own personal feeling is that we need more than anything else to increase incomes in rural America. We must seek ways to raise the income of farmers and other residents of rural America. With adequate income, the credit problem will take care of itself. This is my sincere belief.

I am disappointed, as I know many of our Nebraska people are, that the subcommittee cannot spend 2 or 3 days taking testimony in Nebraska. Our time is too short, and thus our witness list is not as long as I would like it to be. But I want to invite and encourage anyone who wants to express views on this subject to give us a written statement here today, or mail it to my office in Washington within the next 2 or 3 days, and I will see that it is made a part of the hearing record just as though you testified here. I welcome all of you, and I am eager to hear your ideas and suggestions.

Senator HUMPHREY. Thank you, Senator Curtis.

Senator Bellmon?

STATEMENT OF HON. HENRY BELLMON, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator BELLMON. Thank you, Mr. Chairman. I will not take much time for my remarks. I only want to echo the things Senator Curtis has said about the interest of our chairman in this vitally important field and to add the fact that Senator Humphrey has the advantage of having been born and raised in rural America and later having served as the mayor of Minneapolis, one of our great cities.

He knows the problems of rural development from both ends, from the fact that out-migration from the rural areas is causing serious problems there, and the in-migration into our cities is causing problems in urban centers; and I think we are fortunate to have a man with Senator Humphrey's understanding and his optimism in his position during this time.

I am very hopeful and I strongly believe that some meaningful results are going to come from the deliberations of the committee. Also, Nebraska's own Senator Curtis has made an outstanding contribution in many ways, not only in this field but also in many others in the service of the country. I can say to you he is one of the most influential members of the Committee on Agriculture and he has been one who has guided much of the legislation we have passed, and you are very fortunate to have him represent you in the Congress.

It is very pleasant to be in your State.

Senator HUMPHREY. Thank you, Senator Bellmon.

Our first witness is Governor Exon. We welcome your testimony and we know you have other commitments. Would you proceed. We are pleased to have you with us.

STATEMENT OF HON. J. JAMES EXON, GOVERNOR, STATE OF NEBRASKA, LINCOLN, NEBR.

Governor EXON. I thank you, Senator, and I appreciate the brevity of statements by U.S. Senators. I thought you all did very, very well indeed.

Chairman Humphrey, Senator Curtis, and Senator Bellmon, it is indeed a privilege to have you in the State as a subcommittee of the U.S. Senate and I am sure the testimony you will hear here this afternoon will be helpful in the important deliberations of your subcommittee in considering rural America.

There is an urgency associated with the preservation of rural America that is unequaled in the history of this Nation. We do not have the time to simply talk about the problems of rural America—we need action. We need action now—programs that can funnel assistance directly into the lifeline of rural American families within the next 6 months. Procrastination is a luxury that we cannot afford.

While not yet available for public record, I have been informed that 35 percent of the loans of one major rural finance source are in some state of difficulty in Nebraska. Now I think if we delay our response to these problems we will only accelerate the tragedy of the situation that demands answers and results.

We need a program of immediate action, bold and innovative new approaches to respond to old and nagging problems.

The Homestead Act of the last century gave tremendous incentive to the development of the great heartland of this Nation. Today, America must make a commitment to revitalize that concept with an equally bold concept.

What incentives must we consider? The prime salvation for rural America depends upon an immediate improvement in earnings. Not only are we threatened with extensive migration from the rural areas but because of low earnings we have also endangered our future food supply by failing to link agriculture and rural America with the rest of our national economy.

I have proposed at two recent Governors' conferences a reformulation of our approach to agriculture. This new approach could provide an additional $15 billion annually in new income to rural America.

not just dollars transferred from one source to another, but I emphasize new cash income needed in America.

Think of how this could revitalize our Nation's food industry and provide employment for more workers than any other industry in our country, while at the same time assuring this Nation and the world of an abundant supply of food and fiber.

Gentlemen, a new house for agriculture is needed. The concept of a new house for agricultural policy has attracted favorable and widespread national attention as well as bipartisan support of Governors. This concept is based on the principle that modern agriculture must receive a parity of income with other sectors of our economy.

I am speaking of our proposal for a National Food and Fiber Board that would take agriculture and agricultural policies out of politics. Agriculture has suffered from political overkill—short range as opposed to more realistic long-range planning, agriculture statistics that are more historical in nature than meaningful informational data that should be available to this country's No. 1 industry, and a general apathy regarding farm problems by both Democratic and Republican administrations. Innovative new approaches must be considered.

We must also have a plan for raising the income of those rural residents anxious to remain a part of the revitalized rural American structure.

Gentlemen, I caution you to recognize that any program for rural America not tied closely to agriculture and agribusiness industry is doomed to failure. And I appreciate your opening remarks, Senator Humphrey, on this matter.

Let me propose for consideration an idea that merits study: I refer to a PAL program—a professional agriculture, agribusiness labor force. Many rural male residents in the 20- to 45-age bracket do not have large enough production operations and adequate resources necessary to maintain their families in rural American communities. This important age group is vital to furnishing the agricultural expertise needed in food production and agribusiness. The present average age of our farmers here in Nebraska is 58 years.

A well-trained and qualified labor pool or replacement force is vital in enticing agribusiness or industry to locate in rural America. I would suggest that we consider developing such a new approach that could have favorable impact upon meeting this pressing need.

Workers registered in the PAL program could be available to both the public and private sectors or employers requiring temporary help. These employers could reimburse the PAL program for the services of workers and when the opportunity for fulltime employment came available, the PAL member could then transfer from the program to a regular employee basis.

The PAL program would retain the dignity of useful labor and still bring immediate hope to rural Americans who are now frustrated in their attempts to provide adequate incomes for their families. This program could aid in reducing the exodus to urban centers and the resulting socioeconomic problems that are producing unbearable costs to our society.

In addition to the need for a new house for agriculture—a National Food and Fiber Board—and the proposed concept of a professional agriculture labor pool, other more immediate action and commitments must be made to aid in revitalizing and strengthening the heartland of America.

May I make you aware of an urgent need and perhaps with the assistance of this committee immediate help is possible. I have requested on two occasions that Secretary Hardin grant a 90-day moratorium on the October 1 call for 1967–68 corn and sorghum from on-the-farm storage. Such action, if it can be taken now, will offer the farmer the option of delaying delivery at present depressed prices and the possibility of realizing a just reward in some rise in feed grain prices. We feel that prices have been depressed by overenthusiastic USDA crop estimates that will not hold as a result of the Midwest drought. Please, please help us to gain a favorable response from the Department of Agriculture.

Increased capital—there is a need, a desperate need for increased commitment of funds available to rural America.

The Farm Home Administration is a sound and proven structure, providing needed operating capital to farm families affected by drought conditions and in places where they could not get regular loans. We need to fortify these efforts and to further encourage these production resources.

The Small Business Administration—SBA—has really been doing an outstanding job here in Nebraska. However, I honestly feel that more moneys for rural America managed through the SBA must be committed. This kind of working capital, loaned on a responsible and businesslike basis, is in great demand; it certainly is in great need.

Tax incentives are needed for new industries and new economic enterprises to move into rural areas; tax incentives must be made available.

The Rural Job Development Act presently before the Congress of the United States certainly deserves strong consideration and may contain some of the mechanics to which I am referring. With the proper incentives, new jobs and new income as well as a new tax source could be created, and this could be accomplished without a Federal handout of any kind. Given this kind of incentive the private sector could take on new vitality.

Once we have established the economic base to strengthen rural America even more comprehensive commitments are needed.

Roads—we must start planning now for new road improvement providing adequate transportation into and from rural America. Improved roads will provide economic arteries that will enhance all of our efforts to revitalize rural America.

Transportation for our rural American production that we have here, to be competitive—transportation costs and the availability of transportation must be competitive. Rail and freight rates must be at a level that will encourage our competitive situation in the rural areas. Our air service is presently of great concern to us in Nebraska with one unwilling and financially troubled carrier reducing service to the point of no return.

Housing will be an important matter to the future of rural America. There is no reason why rural housing cannot match the best of our cities. The Federal housing assistance programs administered by HUD should be changed in order to effectively respond to housing conditions in rural America. We need to encourage and develop additional private financial institutions and their participation for rural housing.

Recent reports received in the Governor's office indicate that many urban people would really like to move back to rural areas if given the opportunity.

We could aid this transition to rural America by reorienting our Federal employment offices to identify individuals interested in rural America opportunities and to identify and computerize skills and salaries of a potential labor force so that industries moving to rural America have the necessary information for planning.

The committee might consider a federally supported moving expense reimbursement to aid families interested in returning to the nation outside the cities.

There is need for a rural development extension agency for implementing programs in the rural areas which pertain to planning, financing, housing, and social activities.

Tourism—we have not yet tapped the potential of tourism or leisure-type activities in our rural areas. Specific Federal funds available to support the PAL program could aid and accelerate development of lakes, ponds, cabin sites, vacation facilities, and hunting reservoirs in order to better utilize our natural resources.

With the tremendous natural resources available in rural America, it is exciting to visualize the opportunities for nationwide development.

The economic strengthening and planning for opportunity in rural America provides the only logical routes to solve many of the problems facing this Nation.

We thank you for the opportunity of sharing our thoughts with you and I know you will be extremely interested in the suggestions of those individuals following this testimony.

Thank you very much.

Senator HUMPHREY. Governor, we want to thank you, and may I say on behalf of the committee that your testimony is comprehensive. It is filled with many constructive suggestions, some of which we have had comment upon before, but some of which are definitely new and innovative.

I want to add at this point that after a conversation with you I joined in the request to Secretary Hardin on the 90-day moratorium on the callup for the 1967–68 corn and grain sorghum in farm storage. In my State, Minnesota, we are sorely pressed for what you might call large storage facilities and we simply have to maintain on-the-farm storage or there will be a catastrophic drop in the prices of feed grains and corn. It could be a very serious economic matter.

On the matter of tax incentives, quickly, Governor, you, of course, are familiar with the President's suggestion of the investment tax credit.

Governor EXON. Yes.

Senator HUMPHREY. Would you feel that that investment tax credit might well be directed toward the economic rehabilitation and economic expansion in what we call rural America?

Governor EXON. Yes. I believe the President has the right general approach in this area and with some encouragement from your committee maybe we could even have more of those funds channeled in for the encouragement of industry to move into our areas.

Senator HUMPHREY. Investment tax credit I have always felt had genuine merit to promoting the efficiency of American industry, its productive efficiency, but at this time it has two other areas where it could be helpful.

First, we could put a special incentive for investment in rural America or in areas of high unemployment or in areas of out-migration of the population.

Second, we could apply it for ecological purposes, namely, environmental protection. We heard yesterday—my colleagues will recall—from one of the industrialists who testified about a $10 million investment in a particular plant for environmental protection in a paper and pulp plant. To expedite such new technology and its application, I think the investment tax credit could be well used.

Any studies that you may make on transportation, Governor, also would be helpful to us. Every place we go we get the feeling that there are negative forces working against rural America. We see this not only in terms of the quality of roads which are necessary today—you need heavier roadbeds that will take bigger trucks—but also with respect to the rail service available in rural America which, of course, is becoming extinct in some places. Also rail rates in many areas are having a negative impact on the development of industry within rural America.

Yesterday we had a discussion about rural development and the Extension Services. I think Senator Bellmon will recall his questioning one of the witnesses at Oklahoma State University from the Extension Service about this.

Finally, Governor, I am particularly interested in what you had to say about financing. I would appreciate your specific views at some later time on a bill that is now before our committee that we call the Rural Development Bank or the Consolidated Farm and Rural Development Act. We now have 50 cosponsors of this bill in the Senate. The bipartisan purpose behind it is to supplement—not to take over private banking.

Everywhere we have been we find that this is one of the most serious problems facing rural communities; namely, the shortage of capital which is needed for any economic expansion.

I am not talking now of just farm credit, but of nonfarm or rural credit. A young man met me when I arrived here today, Dr. David J. Hibler of Unadilla, Nebr. He talked with me about the lending policies of the Lincoln area lending institutions for rural nonfarm purposes. And I am going to ask that his written testimony be incorporated into our hearing record. It tells how he has contacted banks, small and large, including savings and loan associations. He also contacted the Farmers Home Administration. And he has evidence here, letters, that indicate what he has to say has merit. He has found that the kind of credit that he needs just doesn't seem to be available from any of these lending institutions including from the Farmers Home Administration.

We will look into this in more precise detail later. If you have any further comments, Governor, on credit—I would appreciate having them.

Governor EXON. Yes, I would like to make a comment on this, Senator. Certainly we touched on this and many of the areas that you have just addressed yourself to will be covered by other members of my administration and others who will be testifying before this committee and submitting material to you on loans.

It is great to talk about loans for rural America. It is great to talk about loans to farmers, and certainly we need that. Let's not take our eye off the ball, though. It really doesn't help a man too much if you give him loans and put him in debt and then not provide the return for the products that he raises as a result of that capital, if he can't market those products to make any money. [Applause.]

I think that is something that should be considered and I am sure that the other testimony that will follow will help answer many of the questions that you asked me.

Governor EXON. I am sure they haven't.

Senator HUMPHREY. Try to get them off the campus of Harvard and a few other places. [Laughter.]

Get them out here to see how the rest of the folks live.

Senator Curtis?

Senator CURTIS. Governor, we appreciate your statement here and you have made a number of every important and valuable points.

I would like to ask you, do you regard the industrial development bonds which are tax free so far as Federal taxes are concerned as a tried and successful vehicle or weapon in which to bring industry to rural areas?

Governor EXON. Senator Curtis: I certainly do and further testimony that will follow here again will amplify—we are going to suggest that the limit of that bond be raised. We think we should have a higher maximum on those types of bonds which are certainly going to be helpful for us in attracting more industry to our section of the Nation.

Senator CURTIS. I appreciate your support of that. Some 5 or 6 years ago the Treasury Department made a ruling that really put an end to tax-free industrial development bonds by holding that they were not ordinary municipal bonds and therefore not tax free.

Senator HUMPHREY. I am sure you know that there isn't a member of this committee who doesn't fully appreciate the need for better farm prices and income. Everyone of us has worked his heart out to try to improve agricultural income. One of the shortcomings in the country today is that too many of our great institutions like my University of Minnesota, spend all too little time on the subject of agriculture. We are a highly sophisticated, industrialized, urban-oriented, educated people and we have forgotten a great deal about the production costs and the needs of our farm producers.

Young farm people are faced with two major obstacles in getting into agriculture: No. 1, a young man feels he cannot make a good living on the farm and that the social environment may not be culturally and educationally what he wants.

Second, he cannot get credit he needs. You cannot start any farm today with $15,000. When we talk about farming today we are talking about really a rather big business. It runs $100,000. You need a minimum of $50,000, $60,000, $70,000 to even get a start and where can a young man just starting out get that? I mean, that is seldom available And when you are talking about credit for rural communities, and industry the need is even greater. We keep hearing repeatedly of the necessity of sharing between the private banking structure and the governmental structure, but somehow or other the regulations that pertain to governmental structures and banks provide little encouragement for needed development. The guys who write them apparently seldom visit rural America.

In Congress we were able to overcome that but we had to settle for a limit now of $5 million. And certainly that should be raised to $10 million.

We are delighted to have your testimony, Governor, and I won't take more time.

Governor **Exon**. Thank you, Senator.

Senator **Humphrey**. Senator Bellmon?

Senator **Bellmon**. Thank you, Mr. Chairman. I won't detain the Governor but for a few moments. I appreciate your comments and recommendations and I find them very helpful.

I would like to ask you to go a little further on the PAL program you recommended. I know you say that many farmers are presently underemployed. Is this an effort to have a farmer who has an operation too small to take up all his time and have him available on a part-time basis for industrial employment? Is that what you are saying?

Governor **Exon**. That is one part of it, Senator, certainly. We have that situation. We also have in many places in Nebraska today an acute shortage of farm labor, plus we have a situation of some industries not wishing to go into an area because they are not convinced that there is a labor pool available for that market. So the PAL program would be an overall program that would allow members who enroll in PAL—this would have to be a Governmen-supported project, of course—but this would allow them to work on the farm, to work in the factory, to work in Government, to work wherever there is a need for them.

Again, Senator, this will be further explained to you in more detail by the written reports we just didn't have time to include in the testimony today.

Senator **Humphrey**. Just one quick question, Governor: You have heard about the proposals to increase the power of the farmer in the marketplace, bargaining for a better price for his commodity. Have you expressed yourself on this in any testimony or public statements?

Governor **Exon**. Oh, yes, many, many times, in many, many ways, all embodied in the national food and fiber board concept which we also will make a part of the suggestions we will make to this committee, Senator.

Senator **Humphrey**. Thank you very much. It has always been my view when the farmer walks into a machine shop or garage or implement dealer, the man that is on the other side of the counter states what the price of the tractor is. When the farmer walks in with his commodity, he says, "What will you give me? And when one man is telling you what the price is and you are asking him what he will give you, you are in trouble. And that has been the farmer's real problem. Mr. Farmer has constantly been on what I would call the yo-yo string; he generally is on the downbeat of the yo-yo when it comes to the prices he gets for his products and on the upswing of the yo-yo when it comes to the prices he must pay to produce his goods. The bank rate is fixed; the utility rate is fixed; the transportation rate is fixed.

There are often minimum wages for a worker under a union contract. And Mr. Farmer ends up with, "What will you give me?"

Governor Exon. Very basically, Senator, that is covered in my testimony that you can read there about a parity of income for agriculture.

Senator Humphrey. Fine.

Governor Exon. That encompasses that whole area, of course.

Senator Humphrey. Thank you very much, Governor. Bon voyage.

Governor Exon. Thank you very much. [Applause.]

(The statement is as follows:)

STATEMENT OF DR. DAVID J. HIBLER, UNADILLA, NEBR.

Dr. Hibler. Honorable Senators: For the past 9 months I have been making informal contacts with lending institutions in the Lincoln, Nebr., area for refinancing needs on my home in rural Unadilla, Nebr. What I at first thought would be an easy task soon developed into a formidable chore, for I discovered very quickly that there are virtually no lending institutions which seem equipped to handle the needs of home mortgages in the rural nonfarm market. On Wednesday, August 25, I noticed in the newspaper that your subcommittee was planning a tour of this area to investigate ways of slowing or reversing the rural out-migration of recent years. I at that time decided to formalize my rather loose previous contacts, and would like to present to you today the results of letters of inquiry directed to 20 lending institutions in this area regarding rural financing.

I contacted the large banks in the area, the small banks in my immediate vicinity, all of the savings and loan associations in the area and the Nebraska City office of the Farmers' Home Administration. To put it bluntly: No one is very interested in financing in the country. I have gone to the Farmer's Home Administration and been told I was making too much money to qualify for their programs—they suggested I see my local banks. I have gone to the small local banks and been told that they do not have sufficient funds for such lending, and that I should see the larger banks. I have gone to the larger banks and been told that they do not loan out of the city, but that I should see the savings and loan associations. I have gone to the savings and loan associations and been told that it is against their policies to go outside of the city (or county), but that I should see the small banks in my area, or, perhaps, the Farmers' Home Administration. And so the merry-go-round goes around and around and around.

I enclose (exhibit 1) a sample copy of the letter I mailed to the institutions on or around September 1. The box score on the 20 letters I sent out last week is as follows: (a) 14 direct refusals (exhibit 2): (b) three no response to date; (c) three tentative requests for more information. Let me further qualify these.

(a) Of the 14 direct refusals, three institutions stated that they simply did not have any money for such loans; the other 11 refused using expressions as follows:

> * * * it has been our company policy not to become involved in financing any properties in Unadilla or in the outlying areas.
>
> * * * we are not making loans of this type outside the city limits of Lincoln.

*** * * we do not make loans on real estate mortgages located out of Lancaster County.**

*** * * our trade area does not extend as far west as Unadilla.**

*** * * we have not been lending in Otoe County.**

*** * * legally an insured savings and loan association such as ours can lend within a radius of 100 miles. Our lending policy, set out by our board of directors has generally limited us to Omaha and Lincoln and in Scottsbluff, Nebr., where we have an office.**

*** * * we would not be interested in granting the loan as per your inquiry due to the location of your property. Our association at the present time is granting loans only on properties that are located within the city limits.**

Your loan is first out of our territory.

*** * * our bank does not make any real estate mortgage loans outside the city limits of Lincoln.**

(b) The three no-response banks are all from rather small towns, one close by, one rather distant, and one in Nebraska City.

(c) Of the three requests for further information, it should be noted that two of these requests are from institutions which refused a similar request of mine approximately 5 months ago on the grounds that they did not lend on such rural nonfarm properties. The third, while asking for more information in the form of a financial statement, also indicated through a telephone conversation that in the past it had not been their policy to make loans of this type in outliving areas, for they had more than enough business within the city limits of Lincoln.

The last comment is, I believe, a telling one. At the present time, Senators, virtually every lending institution in this area, big or small, seems unwilling or unable to issue rural nonfarm mortgages. I know of many people who would love to move out into the country. As I read the present market, unless they are independently wealthy and able to pay cash for a home; or unless they buy a farm and start farming; or unless they use political muscle and pull to swing a favor—there seems little chance of their even securing a cursory hearing from the lending institutions.

Perhaps the market in Lincoln is a strange one and not typical of circumstances elsewhere in the country. I don't know—but I would at this time like to ask you to try and find out. I am asking you, Senators, to use the powers of your office and committee to make a full-scale national investigation of the lending policies and/or prejudices of banks and savings and loan associations re rural properties, both farm and nonfarm. If your investigation reveals that there is indeed a need for action in this area, I would like you, individually, or your committee, jointly, to consider sponsoring any or all of the following in the U.S. Senate:

(a) Federal legislation which would provide incentives for rural farm and nonfarm lending through special Government guarantees;

(b) Federal legislation which would censure any lending institution holding and/or handling Federal funds if that institution has an announced or implicit policy of refusing to lend on rural farm or nonfarm properties. These censures could include, if necessary, withholding and/or withdrawal of any or all Federal moneys, including FHA funds or guarantees.

(c) Federal legislation which would erect on a nationwide scale a new system of lending institutions whose express purpose and policy would be the encouragement of lending for rural farm and nonfarm properties.

For over 10 years, Senators, I have listened to our Nation's leaders, from the President on down, as they raised a hue and a clamor over the migration of population out of the country into the cities, with all the consequent problems brought on by overdensity of population. Indeed, only last night, Senator Curtis, you were quoted as suggesting that a new Statue of Liberty should be erected and dedicated to "beckoning to rural America the congested, discouraged, smoke-choked, and crime oppressed individuals and families from our great cities." My only question, Senator, is have you checked with the Nation's bankers to see whether or not they are interested in financing this transportation of America's "Great Lady."

In my 27 years I have shared the concern over density of population, Senators, for I have lived in or around such large metropolitan areas as Cleveland, New York, Cincinnati, and Chicago, and I have seen enough of big city problems never to want to return there. For 3 years my family and I have enjoyed the pleasures of country living—all I am asking for is the opportunity to continue doing so. I admit that the above requests are partially motivated by my own personal and selfish interests—for unless I can, within the next 50 days, find someone willing to lend in the country, I stand to lose about $8,000 and some 3 years of hard work in improving my property. Your committee will not be able to help my individual case—but it might be able to find out if my case is in any way typical. If it is, I would trust that you and your committee would have both the courage and the foresight to bring into existence such measures as would rectify the economic and lending conditions which currently seem to be keeping people from remaining in or moving into the rural areas of this great country of ours. I thank you.

Yesterday I notified all of the presidents of the institutions which have refused me or not responded, and told them that I would give the above testimony (see exhibit 3). I urged them to be prepared to give your committee their side of the story. If it is your committee's pleasure, you might consider giving them the opportunity either to testify or to place on file rebuttals or qualifications of the testimony I have given above.

(The exhibits are as follows:)

EXHIBIT 1

UNADILLA, NEBR., *August 30, 1971.*

HOME MORTGAGE OFFICER
First Federal Savings and Loan,
Lincoln, Nebr.

DEAR SIR: For reasons as outlined in the attached, I am in need of immediate refinancing of the mortgage on my home in Unadilla, Nebraska. Besides the mortgage, the home has a FHA home improvement loan and a construction lien on it. Details are spelled out on one of the enclosed sheets. All told, the total amount to be refinanced, including the mortgage and construction monies, is about $13,100.

I am interested in a mortagge of approximately 7–10 years length, depending on the interest rate.

Would you please respond at your earliest convenience as to whether or not you are interested in talking further about this refinancing. I will be happy to meet with you personally and will be pleased to show the home to your appraiser at any convenient time.

If you are not interested, would you be so kind as to send me notification in writing to this effect and, if possible, list your reason(s) for refusal.

You may contact me at my office, as above, or at my home, R.R. 1, Unadilla, Nebraska, 68454. I thank you in advance for your kind consideration in this matter, and look to hear from you in the very near future.

Sincerely,

(Dr.) DAVID J. HIBLER.

LINCOLN, NEBR., *August 12, 1971.*

DEAR MR. AND MRS. HIBLER: We received your letter this morning in regard to the loan we hold on your property.

The unpaid balance of principal is due on October 30, 1971. I did not figure it down to the last penny but after the Sept. 1st and Oct. 1st, 1971 payments are made, the unpaid balance will be approximately $9,925.00.

Because of poor health, which you already know about, I do not wish to renew this loan when it is due, but want the unpaid balance paid in full. Because of the prime interest rate just being boosted, it may be easier for you to get financing from a Savings & Loan Association than a bank.

You have a very fine property, with low taxes, and should be an ideal place to raise your family.

Sincerely,

MYRTLE O. GIBBS.

PROPERTY DESCRIPTION

The home is situated two miles north of Unadilla, Nebraska, on old highway 2, and is within commuting distance to Lincoln (24 miles), Nebraska City (25 miles) and Omaha (45 miles). The home has an attached two car garage, living room, dining room, kitchen, bath, three bedrooms, central air, fireplace and one acre of ground.

MORTGAGE INFORMATION

1. Original mortgage held by Myrtle O. Gibbs, 411 Cottonwood Drive, Lincoln, Nebr., Issued October 30, 1966. Original Principal $14,500 at 6¾%; Current Principal $10,092.62. Principal at due date will be about $9,925.00—cf. attached.
2. FHA improvement loan held by First Federal Savings and Loan, Lincoln, Nebr. Issued August 1970. Original Principal $3,000 at 9½%. Current Principal $2,729.54 as of September 20, 1971.
3. Construction lein held by Gartner Construction Co., Unadilla, Nebr. Issued September 1970. Current Principal approximately $500—exact figures were not available at this writing.

TOTAL MONEYS TO BE REFINANCED

$9, 925. 00
2, 729. 54
c. 500. 00
c. 13, 154. 54

EXHIBIT 2

FIRST NATIONAL BANK AND TRUST CO. OF LINCOLN,
Lincoln, Nebr., September 7, 1971.

DR. DAVID J. HIBLER,
University of Nebraska, Department of English,
Lincoln, Nebr.

DEAR DR. HIBLER: Thank you for your recent letter in regard to obtaining a mortgage loan.

However, at the present time we are not making loans of this type outside the city limits of Lincoln. You may wish to contact some of the savings and loan associations around town to get their consideration on this matter.

If you have any additional questions, please do not hesitate to contact us.

Yours truly,

DEAN A. GODBERSEN,
Mortgage Loan Department.

STATE FEDERAL SAVINGS & LOAN ASSOCIATION,
Lincoln, Nebr., September 8, 1971.

Dr. DAVID J. HIBLER,
University of Nebraska, Department of English,
Lincoln, Nebr.

Thank you, Dr. Hibler, . . . for your inquiry regarding the possibility to finance your property in Unadilla, Nebraska.

It has been our company policy not to become involved in financing any properties in Unadilla or in the outlying areas. Most of our mortgage portfolio consists of mortgages in the City of Lincoln or acreage developments surrounding Lincoln.

I am sorry that we cannot be of service to you at this time, however, if we can be of service to you at a later date, please do not hesitate to contact our office. We do appreciate your interest in contacting us with this matter.

Best regards,

WARREN K. HARDING,
Loan Officer.

GATEWAY BANK,
Lincoln, Nebr., September 7, 1971.

Dr. DAVID J. HIBLER,
Unadilla, Nebr.

DEAR DR. HIBLER: Thank you for your inquiry of September 2, 1971, regarding the financing of a real estate mortgage on your property located in Unadilla, Nebraska.

I regret to inform you that we do not make loans on real estate mortgages located out of Lancaster County. Secondly our maximum loan advance on real estate mortgages is 50% of the appraised value with a maximum term of five years.

We appreciate your interest in contacting our Bank and we are sorry we are unable to assist you at this time.

Sincerely yours,

MERLYN MINDERMAN,
Vice President.

THE OTOE COUNTY NATIONAL BANK,
Nebraska City, Nebr., September 8, 1971.

Dr. DAVID J. HIBLER,
Unadilla, Nebr.

DEAR DR. HIBLER: Your request addressed to this bank concerning a real estate loan has been referred to me.

At this time, we would not be interested in making a loan on the property for the following reasons. Our trade area does not extend as far west as Unadilla, and we prefer not to make loans in areas that are served by other banking institutions. Secondly, we have no appraisers that operate in the Unadilla area and we would, therefore, have to rely upon a professional appraisal, which would probably be rather costly for you.

As you may be aware, in addition to the bank in Unadilla, there is a bank at Syracuse, and there is a Savings and Loan Association in Tecumseh, which has in the past been willing to make loans throughout the southeast Nebraska area. It might be worth your time to contact either of these institutions.

I regret that we can not be of service to you at this time.

Very truly yours,

RAMEY E. BEACHLY,
Vice-President and Cashier.

LINCOLN FEDERAL SAVINGS & LOAN ASSOCIATION,
Lincoln, Nebr., August 31, 1971.

Dr. DAVID J. HIBLER,
Unadilla, Nebr.

DEAR DR. HIBLER: Thank you for your recent letter regarding the possibility of refinancing your property.

We have not been lending in Otoe County, but I would like to suggest that you contact Nebraska City Federal Savings and Loan about this refinancing.

Yours truly,

RICHARD D. HITZ,
Secretary-Treasurer.

UNION LOAN & SAVINGS ASSOCIATION,
Lincoln, Nebr., September 1, 1971.

Dr. DAVID J. HIBLER,
Unadilla, Nebr.

DEAR DR. HIBLER: We are unable to entertain your application for financing on your home in Unadilla, Nebraska. Legally an insured savings and loan association such as ours can lend within a radius of 100 miles. Our lending policy, set by our board of directors has generally limited us to Omaha and Lincoln and in Scottsbluff, Nebraska, where we have an office.

Our basic reasons for not going into surrounding communities are:

(a) We are not familiar with local markets which makes appraising more hazardous and less reliable.

(b) Cost of originating out of town mortgages is higher because of remoteness of property location.

(c) The association feels risk factor could be greater because small town economies may fluctuate more intensely.

We appreciate your inquiry and regret our inability to be of service to you at this time.

Yours very truly,

GLEN HATTAN, *Secretary.*

NEBRASKA CITY FEDERAL SAVINGS AND LOAN ASSOCIATION,
Nebraska City, Nebr., September 1, 1971.

Mr. DAVID J. HIBLER,
Unadilla, Nebr.

DEAR MR. HIBLER: Thank you for your letter inquiring about a loan from our association.

We would not be interested in granting the loan as per your inquiry due to the location of your property. Our association at the present time is granting loans only on properties that are located within the city limits.

Yours truly,

GARRY AILES, *Secretary.*

LINCOLN, NEBR., *September 2, 1971.*

HOME MORTGAGE OFFICER,
Farmers State Bank,
Douglas, Nebr.

DEAR SIR: For reasons as outlined in the attached, I am in need of immediate refinancing of the mortgage or my home in Unadilla, Nebraska. Besides the mortgage, the home has a FHA home improvement loan and a construction lein on it. Details are spelled out on one of the enclosed sheets. All told, the total amount to be refinanced, including the mortgage and construction monies, is about $13,100.

I am interested in a mortgage of approximately 7–10 years length, depending on the interest rate.

Would you please respond at your earliest convenience as to whether or not you are interested in talking further about this refinancing. I will be happy to meet with you personally and will be pleased to show the home to your appraiser at any convenient time.

If you are not interested, would you be so kind as to send me notification in writing to this effect and, if possible, list your reasons for refusal.

You may contact me at my office, as above, or at my home, R.R. 1, Unadilla, Nebraska, 68454. I thank you in advance for your kind consideration in this matter, and look to hear from you in the very near future.

Sincerely,

(Dr.) DAVID J. HIBLER.

Enclosure:

DEAR MR. HIBLER: We would not be interested in your proposed loan, I suggest you contact the bank you are now doing business with, or the First Natl Bank in Unadilla.

Your loan is first out of our territory, second we do not make long time real estate loans, third we would not be interested in a loan of this size to a total stranger who we had had no previous experience, fourth the demand for money at this time is great so we are not anxious to make new loans outside our own area.

Yours truly,

M. M. DUNLOP.

Lincoln Bank South,
Lincoln, Nebr., September 4, 1971.

David J. Hibler,
Unadilla, Nebr.

Dear Mr. Hibler: I am sorry to inform you our bank does not make any real estate mortgage loans outside the city limits of Lincoln. Thank you for your inquiry.

Sincerely,

Roger L. Gohde,
Executive Vice-President.

Memo: Phone conversation 9/8 with a Mr. Paulson from City National Bank. He indicated that they were not interested because they have not done such loans in the past, they did not go outside of the city limits, they did not have enough money, and they were a relatively new bank. He indicated that he was not willing to put this in writing.

David J. Hibler.

The First National Bank,
Unadilla, Nebr., September 9, 1971.

Dr. David J. Hibler,
Unadilla, Nebr.

Dear Dr. Hibler: We are in receipt of your letter of September 2, 1971, and are enclosing the materials that you sent, for your future use. Unfortunately, our legal lending limits for National Banks of this size does not permit us to undertake a loan of this nature. I would suggest that you contact a Savings and Loan or possibly Farmers Home Administration who have recently undertaken rural area homes.

Thank you for your inquiry

Yours very truly,

Geo. E. Brandt, *President.*

Union Bank and Trust Company,
Lincoln, Nebr., September 7, 1971.

Dr. David J. Hibler,
Unadilla, Nebr.

Dear Dr. Hibler: Thank you for your letter inquiring about whether we would be interested in refinancing your real estate mortgage. Approximately three years ago, our bank decided to discontinue making real estate loans excepting on very short term arrangements. Because of the tight money situation that deveolped then and in fact still exists, we are restricting our credit advances to a maximum of three years.

We recommend to our customers who apply for real estate loans to contact either First Federal Savings and Loan, Union Loan & Savings, or State Federal Savings & Loan. Also, perhaps the bank in Unadilla might be able to give you some advice or perhaps they might make you a direct loan.

We hope you have success in securing your financing.

Sincerely,

L. M. Novak,
Executive Vice President.

The Nebraska Central Building & Loan Association,
Lincoln, Nebr., August 31, 1971.

Dr. David J. Hibler,
Unadilla, Nebr.

Dear Sir: We have your letter dated August 30 inquiring about a loan of $13,100 on your home located two miles north of Unadilla.

We are unable to give consideration to your request at this time, because we do not have sufficient funds available to loan.

Sincerely yours,

W. W. Folsom,
Chairman of the Board.

NATIONAL BANK OF COMMERCE IN LINCOLN,
Lincoln, Nebr., September 7, 1971.

Dr. DAVID J. HIBLER,
Department of English, The University of Nebraska-Lincoln,
Lincoln, Nebr.

DEAR DR. HIBLER: We have received your letter of September 2nd inquiring about the possibility of a loan on your home located near Unadilla, Nebraska.

I regret to inform you that we will not be able to honor your request.

Although we have been in the mortgage market quite strongly in the past, our present shortage of funds does not allow us to be as competitive as we would like.

I believe Mrs. Gibbs suggestion in regard to a savings and loan association is probably your best bet at the present time. Since you have had some experience with First Federal Savings and Loan Association on your home improvement loan, I would suggest that you contact them since this would appear to be a good source of funds and to the best of our knowledge First Federal is probably more active in the home loan market at the present time, and on a larger scale than any other lending institution in the state.

Again, I am sorry we are unable to assist you, but do appreciate your inquiry.

Sincerely yours,

GEORGE W. SHREWSBURY,
Assistant Vice President, Mortgage Loan Department.

EXHIBIT 3

SEPTEMBER 9, 1971.

To: Presidents, Lincoln-Area Banks and Lending Institutions.
From: Dr. David J. Hibler, R.R. 1, Unadilla, Nebr.
Re: Lending policies on rural non-farm properties.

DEAR SIR: As you are probably aware, Senators Hubert Humphrey and Carl Curtis are making an appearance in Lincoln on Friday, September 10, 1971, to hold a public hearing on rural development and the problem of rural out-migration. It is my intention to appear before this sub-committee and present evidence on the difficulty of obtaining mortgage money on rural non-farm properties.

Your institution is one of about seventeen banks or savings and loan associations in the Lincoln/Nebraska City area which have refused to consider lending on a property in Unadilla primarily because of its rural location. It is only fair to inform you that I intend to present evidence of these refusals to Senators Curtis and Humphrey tomorrow. And, whereas such policies seem in violation of the spirit of Federal priorities urged by at least the present and past two Presidents, I intend to call upon the Senators for U.S. Senate action on the following two points:

(1) A thorough investigation by the appropriate Senate sub-committee of the lending policies and/or prejudices of banks and savings and loan associations re. rural non-farm properties;

(2) The Senators' personal or joint sponsorship in the U.S. Senate of:

(a) federal legislation which would provide incentives for rural non-farm lending through government guarantees; and/or

(b) federal legislation which would censure any lending institution holding and/or handling federal funds which has an announced or implicit policy of refusing to lend on rural non-farm properties. These censures should include, if necessary, withholding and/or withdrawal of any or all Federal monies, including FHA funds.

It is further only fair to inform you that copies of this letter will be made available to the appropriate news agencies in the Lincoln area, and that the activity at the committee hearing may result in publicity which might be potentially detrimental to your institution. As it is not my intention to cause your institution embarrassment, I would urge you to consider sending a representative to the hearing to explain in more detail your institution's position on such lending.

Respectfully,

(Dr.) DAVID J. HIBLER.

(The above memo sent to the following:)

Farmers State Bank
Douglas, Nebraska

Bank of Palmyra
Palmyra, Nebraska

The Martell State Bank
Martell, Nebraska

Nebraska City Federal Savings & Loan
115 South 8th
Nebraska City, Nebraska

Nebraska Central Building and Loan
1400 O St.
Lincoln, Nebraska

State Federal Savings and Loan
238 South 13th
Lincoln, Nebraska

Lincoln Federal Savings and Loan
126 South 11th
Lincoln, Nebraska

Union Loan and Savings
209 South 13th
Lincoln, Nebraska

First National Bank and Trust
13th and M
Lincoln, Nebraska

Lincoln Bank South
3737 South 27th
Lincoln, Nebraska

City National Bank
14th and N
Lincoln, Nebraska

Gateway Bank
61 and O
Lincoln, Nebraska

Union Bank and Trust
48th and Bancroft
Lincoln, Nebraska

National Bank of Commerce
13th and O
Lincoln, Nebraska

First National Bank
Unadilla, Nebraska

Otoe County National Bank
912 Central
Nebraska City, Nebraska

Farmers Bank
724 Central
Nebraska City, Nebraska

UNADILLA, NEBR., *September 19, 1971.*

Hon. HUBERT HUMPHREY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUMPHREY: It is my understanding that the record on your Subcommittee on Rural Development held in Lincoln, Nebraska, will be held open until September 24, 1971. Would you please include the following observation as an addendum to the report I filed with your committee on September 10:

I understand from conversation I have had with Mrs. Gladys Forsyth, President of First Federal Savings and Loan Association of Lincoln, Nebraska that her institution, the second largest in the state, has been interested in trying to find ways of channeling money back into rural development and rural lending. If I understand Mrs. Forsyth properly, however, her institution has been frustrated in some of its attempts due to the policies of certain federal agencies. Specifically she suggested that policies of the Federal Home Loan Bank might be altered in order more readily to encourage or to allow such lending.

I am not in a position to be knowledgable of the intricacies of financing involved here, but it seems logical that if existing institutions can service this area through changes in federal agency policy, then this would seem a much more direct way of coping with the situation than through the construction of any new agencies of financing, etc. I would encourage your committee to look into this aspect of rural credit, and to promote whatever liberalizing of federal policies is necessary to encourage existing institutions to enter this field.

Again, I thank you for your kindness and consideration both before and during the hearing. I remain.

Respectfully,

(Dr.) DAVID J. HIBLER.

Senator HUMPHREY. Our next witness is the distinguished president of the University of Nebraska, Dr. Durward Varner. We welcome you.

STATEMENT OF DR. D. B. VARNER, PRESIDENT, UNIVERSITY OF NEBRASKA, LINCOLN, NEBR.

Dr. VARNER. Senator Humphrey, Senator Curtis, Senator Bellmon, let me join Governor Exon and Senator Curtis in extending a genuine welcome to you to the State of Nebraska. I am particularly pleased to welcome you to the campus of the University of Nebraska. I should say, Senator Humphrey, that as far as I can tell, we are making rather extensive plans for a very warm welcome to your football team a week from tomorrow.

Senator HUMPHREY. I have heard about that. [Laughter.]

I brought along a first aid kit which I am leaving here, Dr. Varner. [Laughter.]

Dr. VARNER. Senator Bellmon, I would only hope that the welcome which has been extended to you in the State of Nebraska and particularly on this campus, will cause you to go back to Oklahoma and encourage compassion on the part of your football team when our frail group of scholars go down there. [Laughter.]

Senator HUMPHREY. Would you repeat that statement, Doctor Varner? [Laughter.]

Dr. VARNER. Rural development is a term which has caught the public and political fancy during recent years, and properly so. The growing concern about the economic well-being of agriculture, the effects of migration from rural to urban America, and the quality of life for all Americans—all of these factors have encouraged a positive and sometimes creative approach to improving and strengthening rural America.

With few exceptions the public has endorsed the concept of rural development but does not generally understand precisely what this expression means. Let me offer my definition.

In simple but direct language, I believe that any program concerned with rural development must have as its objectives: (1) the establishment and maintenance of a reasonable level of economic prosperity for farmers; (2) the creation of more employment opportunities in towns and small cities in rural America; and (3) the continued enrichment of the quality of life for rural America.

Working within this framework, let me turn to the dual concerns of how these objectives could best be accomplished and, in particular, how the University of Nebraska may make its maximum contribution in achieving these goals.

It is my view that the overriding need is a clear statement of national goals on rural development. We need an unequivocal commitment, beyond the conversation stage, to an aggressive policy for rural development as an integral part of our national policy, and we need innovative action by our Congress which will result in the implementation of this new policy.

If we are serious about moving on this target, it is my judgment that as a minimum these steps need to be taken:

(1) A farm policy must be developed that will guarantee commercial farm operators a realistic return on their investment and labor-parity of income. Farmers are understandably distressed when corn is selling for $1 per bushel and they are getting $1 per hour for their labor while wage rates in business and industry are commonly $5 to $10 per hour. It is folly to talk about a program of rural development unless and until we can come forth with a more equitable level of income guarantees for farmers.

(2) The agricultural experiment stations and the Agricultural Extension Service have a dramatic history of effective service to American agriculture. In order to keep farmers at their maximum point of efficiency, these traditional programs must be continued and strengthened.

(3) Programs of soil and water resource conservation and management must be reinforced in every possible way. These along with viable citizens, are basic ingredients for a strong rural America.

(4) A program directed at creating employment opportunities is a crucial part of any effort at rural development. This means that business and industrial enterprises must be persuaded that it is in their interest to locate in rural areas.

It is my experience that nothing is more persuasive than the promise of profit. In order to improve the profit potential of such relocation, I would urge that serious consideration be given to these factors: (*a*) the extension of existing programs of federally subsidized incentive loans to those businesses and industries willing to locate in rural areas; (*b*) the development of a program of uniform tax incentives which will improve the attractiveness of rural investments for business and industry; (*c*) the establishment of a program of long-term, low-interest loans to State and local governments to permit the development of essential public services in rural areas.

A fifth point that I should like to make is that specific programs must be designed to help enrich the quality of life in rural America. Let me offer a specific recommendation. It is my judgment that the most effective instrument in helping achieve this objective is the National Endowment for the Arts, which during its brief history, has made a significant contribution to improving the quality of life throughout America. Working through the State councils for the arts, this agency of our Federal Government has the potential for making even more effective contributions and with a particular emphasis on improving the life-style of rural America.

Beyond these broad concerns with national policy and the actions which might be appropriate for Congress, let me comment on the role of the University of Nebraska.

In a State like Nebraska, there are few programs in the university which do not have a direct or indirect involvement with rural development. The programs of the colleges of agriculture and home economics have been in the forefront historically and are today. Less well understood and certainly less will funded have been contributions from many other parts of the university. The programs of the teachers college and the colleges of engineering and architecture, arts and sciences, and business administration have all made continuing and important contributions to the well-being of rural Nebraskans.

The professional schools—law, denistry, and pharmacy—have each made important contributions in both direct and indirect ways. Our medical center has a major and growing commitment to improving health care in rural Nebraska. Through its newly established program in family practice, through its experimental program in health care delivery in the Broken Bow area, through the program in continuing education and residents-in-training throughout the State, and through a variety of other programs, the medical center is making invaluable contributions to health care throughout the State of Nebraska.

I should like to recommend some specific ways in which this university can make a still greater contribution in the years immediately ahead.

(1) It is imperative that we improve the strength and the quality of the agricultural experiment station and the agricultural extension

service. They must be both creative and flexible. This is our best bet for keeping Nebraska farmers and ranchers efficient and competitive. There is no alternative to the development of new techniques, new varieties, new breeds, all with the view to reducing unit cost of production and providing the basis for more profitable agricultural enterprises. This is basic and any rural development program which does not have a strong emphasis in this area cannot succeed.

(2) The college of home economics, rich in its tradition of rural people, must be given an opportunity for a renewed effort in improving family living, nutrition, and the life-style of rural Nebraska as part of this larger effort.

(3) The University of Nebraska has a major role to play in improving the quality of life in rural Nebraska through its programs in the arts. There is a natural relationship here which has never been fully realized.

On the campuses of the University of Nebraska are assembled some of the finest young artists in this part of the country. They perform well and they are eager for audiences. Yet, in altogether too few instances has it been possible to make these special talents available to rural Nebraskans. It is my opinion that the basic philosophy of the land-grant institution carries over into the arts, certainly as well as into agriculture, and that we have not only the opportunity but the obligation to move forward with more imagination and vigor.

Unhappily, the principal constraint has been financial. A recent experience illustrates my point. The National Endowment for the Arts, through a grant to the Nebraska Arts Council, has underwritten a tour of the University of Nebraska Repertory Theater. The theater's extraordinarily good production of "Macbeth" played in several of our smaller communities, and I am told that in Cozard, Nebr., with a population of 3,184, the audience for "Macbeth" for a single performance approached 1,000 people.

If this example could be multiplied, as indeed it can with adequate support, then the university has a great contribution to make in enriching the quality of life throughout rural Nebraska.

(4) I should point out again that programs in the college of engineering and architecture, in teachers college, in the school of social work, in the fields of chemistry, geography, dentistry, law, computer science, and other areas the university possess built-in resources which could contribute significantly to Nebraska's rural development if a national policy were clearly and positively enunciated and if the resources were made available.

(5) Rural development must have, as part of its thrust, improved health care services. The current efforts of our medical center are encouraging; the potential is unlimited. But we need a positive direction and we need adequate funding. We can and will, if given the resources, provide leadership in the development of a program of health care which is so vital to rural development in Nebraska and other States.

(6) I have reserved for special reference the leadership potential of the College of Business Administration in any such program. It is my judgment that the College of Business Administration should be an equal partner with the Colleges of Agriculture and Home Economics in any new thrust in rural development. Strengthening exist-

ing businesses and the creation of new job opportunities are keystones to such a program, and it is in these areas that the College of Business Administration has much to offer.

It has the resources for business research, for marketing studies and for research in transportation systems and problems. It has expertise in the areas of taxation, finance, personnel management, systems analysis and most of the other fields which are of great and growing concern to modern business. There has not been enough emphasis on the potential in the College of Business Administration in the land-grant institutions in support of rural development.

Finally, I recommend that the Congress authorize and fund the establishment of a system of institutes for rural development in the land-grant universities and charge these institutes with the responsibility of marshaling the resources of the entire institution in an effort to bring to reality the concept of rural development.

I propose that we borrow from our experience with the agricultural experiment station-extension service model and apply this concept to the entire university. I can visualize such an institute, properly staffed and funded, drawing together the full capabilities of the entire university in directing these resources to developing rural Nebraska and rural America.

This institute could create a variety of independent and coordinated research projects dealing with all the problems involved in rural development. Utilizing talents both on and off campus, the research could deal with competitive advantages, labor supply, techniques of production, marketing, finance, industrial design and many other facets of the problem.

Beyond the research function, I would propose that we borrow again from the Agricultural Extension Service and establish a highly selected and highly qualified corps of area business and industrial specialists who would be: (1) highly trained in the technical aspects of economic development; (2) competent to identify and interpret national trends which might open the door for increased opportunity in the rural areas; (3) actively involved in the local communities and with local people; (4) able to pinpoint regional strengths and weaknesses in such a manner as to assist rural communities in presenting their most attractive side to prospective investors; and (5) conversant with specific ways in which rural communities could strengthen their competitive position in the race for increased employment opportunities.

As members of the university's staff, these specialists would not be engaged in the traditional promotion work as undertaken by the chambers of commerce. Rather, they would be involved in the systematic analysis of community strengths and weaknesses, with special emphasis on ways in which rural communities could best improve their economic lot.

One prerequisite for employment as such an adviser would be an expressed commitment to the economic and social betterment of rural Nebraska and rural America. The advisers would hold an advanced degree, with principal strengths in economics and management; they would carry rank in the College of Business Administration; they would be perceptive individuals with the ability to draw upon existing resources of the State.

Such a corps of specialists would draw upon the combined resources of the university, the State Department of economic development, the Federal Government, and the local communities. All would be equal partners in the drive for greater economic stability in rural areas.

The land-grant universities have the ability to perform this function. They have the tradition of service to their communities. They have the strength, creativity, and potential. What they do not have are the financial resources to develop and to implement a program of this kind.

It is my hope that the Congress will move with a program of positive action in defining the objectives of the program in rural development, that a statement of clear national policy be enunciated without delay, that a long-range commitment of the necessary resources be made to implement this policy, and that the land-grant institutions of this country, so long an integral part of the economic, social, and cultural development of America, be given an opportunity to assume a role of leadership.

I can assure you that the University of Nebraska is eager to become a partner in the enterprise.

Senator HUMPHREY. President Varner, I want to not only compliment you but if you will permit me to indulge in a superlative, I think that is the finest testimony I have heard yet anyplace on the subject of rural development—its comprehension, its totality, its total sense of vision and coordinated activity. I really am impressed and I want you to know how much I for one appreciate it.

You have given us some new ideas, or at least you have outlined some new directions. A system of institutes for rural development in land-grant universities and colleges, I think, has great merit and you have in a sense told us that the land-grant university needs to begin a step forward as the leader. If given the tools it can step forward as the leader in coordinating much of the technical services, the educational and cultural services that would be so helpful in rural development. Really, I am very much impressed with it.

I am going to even put you to work a little more. I hope that——

Dr. VARNER. I am through for the day, sir. I am sorry about that. [Laughter.]

Senator HUMPHREY. Well, we will give you the weekend off, but when you do find the time—even though you have given us here the concept on the nucleus of an idea—we would like for you to give us any further information that you can on the Institutes for Rural Development. Such information would be helpful to us because we could then translate it into a legislative proposal, which I think is needed.

How would you make the Agricultural Extension Service a more effective partner in the whole area of rural development? We received some very good information yesterday, may I say, from the director of the extension service at Oklahoma. I thought it was very well done.

I won't take any more of the time here. I want Senator Curtis and others, Senator Bellmon, to inquire of you and then I will come back.

Your e[illegible]s upon the arts, was the first we have had, Dr. Varner, and it is [illegible]. I am so pleased with the information you have given us regarding your own repertory threatre here at the university.

I mentioned privately to Senators Curtis and Bellmon as we were driven along the highway and flying here, about some of the experiences that Mrs. Humphrey and I had this summer in Minnesota in this regard where local arts councils, sometimes sponsored by a chamber of commerce, or headed up by a principal of a school, have been putting on their own performances, their own theater, or their own musicals. And they have had the cooperation and assistance of very well trained people from the university or from some of our State colleges. It is a marvelous thing for a rural community.

I think it is fair to say that rural America doesn't just want economic opportunities. They want a quality of life as well as a standard of living. And what you have been emphasizing here is the importance of improving their quality of life; and you are asking that the arts in a sense be expanded so organizations can properly assist a State arts council at your own university.

I gather that was the thrust of your presentation.

I want to thank you. I have never heard a president of a great university before speak so forcefully and so effectively about a farm policy that must be developed that will guarantee commercial farm operators a realistic return on their investment and labor, parity of income. I think we are beginning to really get at the nub of the problem.

People haven't realized what has happened to the income of American agriculture.

Senator Curtis?

Senator CURTIS. Dr. Varner, we are delighted that you could be here and make a contribution to our hearings. I am sure everyone that is interested in rural America appreciates the policy goal that you have stated in reference to farm income. We certainly welcome the spelling out of detailed steps that ought to be taken in that regard anytime you wish to submit them.

Now, in reference to your statement, on page 3, you suggest consideration of three things for the development of rural America and one of them, the development of a program of uniform tax incentives which will improve the attractiveness of rural investments for business and industry, are you referring to State and local tax incentives there?

Dr. VARNER. Senator Curtis, it seems to me that the No. 1 objective is to get alternative employment opportunities created in rural America.

Business and industry understandably and necessarily must go where they can make a profit; if we are going to lure them from where they are to where they are not, but where we want them to be, we have to make the move attractive to them. A combination of tax incentives, Federal, State, or local, would be desirable.

I think it is unfortunate, however, if local communities began to bid through their tax programs for business investment; this may be a shaky policy in the long run.

Senator CURTIS. That is what caused me to ask the question. Some States have a provision of law, maybe in their constitution, I do not know, whereby industries coming in are granted tax exemption or a substantial reduction of taxes for a period of years. We have received varying comments on it. The point is made that it places an unfair burden on locally established businesses that are carrying a tax load and are providing employment and they are sticking with the community through thick and thin.

There are questions also raised about the character of industry that wants to come into a community and not pay their just share of the load of local taxes.

Now, I am not the judge for the States on what they should do on that, but your thought was that it should be considered both on the State and Federal level?

Dr. Varner. I would think so. Certainly I agree with the criticisms that have been advanced by the existing local industry if competitive industry comes into the market with a favored son status. This is unfair.

Senator Curtis. We are also finding that if information becomes available that one of our national industries is about to locate a branch or a plant someplace, that if we add up all of the committees and individuals that are seeking that location, we start out with 50 States and their industrial development commissions, then count the cities and count the regional agencies besides individual business operators who are suppliers otherwise, they are besieged by sometimes hundreds, 700 or 800 different people, petitioning them to locate their industry at a particular place.

In the short while that this committee has been gathering testimony, we have found that some of the very flourishing industries that have come to a community have been developed right within the community, the potential is there. We visited one yesterday that employs 350 that started out as a blacksmith shop.

So I share your view that we ought to do whatever we can to attract industry from the outside, but the competition is very tough and sometimes the greater results will come from developing our own resources with new and inventive ideas.

Dr. Varner. I might say, Senator Curtis, that in discussing this proposal for an Institute for Rural Development with members of the staff, this point was made with some emphasis. We have a continuing obligation not only to bring in new industry but also to work constructively with existing small business and industry.

Senator Curtis. In McCook, Nebr., this morning we were all given samples of flavored toothpicks, which are flavored with cinnamon. An ingenious man in McCook, Nebr., started that industry which is now employing 40 people. If you count their families that is a sizable contribution to the industrial development of Nebraska. And that originated in the mind of one man.

One other question, Doctor. In reference to the College of Business Administration, I am aware that you have recommended—an Institute of Rural Development in land-grant colleges which would be in the future sometime, even if it was acted on right away. But on page 6 you say the College of Business Administration has the expertise in the areas of taxation, finance, personnel management, systems analysis, and most of the other fields which are of great and growing concern to modern business.

Under existing setups, is the college of business administration able to render service to a local community in Nebraska, which might call on them for some assistance in analyzing their potential and their problems, and advising them on what sort of industrial development they might involve themselves in?

Dr. **Varner.** Senator, the College of Business Administration has the expertise and can render such service within limits. Manpower is the limiting factor. Our College of Business Administration is funded primarily for teaching functions. We do not have in that college, as we do in agriculture, special funds for extension. We have no such thing as business extension. We cannot expect to call on a faculty member who is already carrying a full workload, to go out to a community to provide this kind of service, except on an occasional consulting basis. This is why I would strongly recommend that there be a formal recognition of this potential, and that we fund it so we can employ people to do this job.

The expertise is there, and in many cases members of the faculty of the college of business do this simply to contribute to the community. But they were not hired for this. They do have full responsibilities in the teaching and research they do. Their enthusiasm is great, though, because they, too, realize they have something to offer.

Senator **Curtis.** Has there ever become a teaching project involving advanced students?

Dr. **Varner.** I cannot answer that definitely. I would assume in some instances they do take on projects, but it is not common.

Senator **Curtis.** That is all.

Senator **Humphrey.** Senator Bellmon?

Senator **Bellmon.** President Varner, I would like also to compliment you on your statement, on your approach, and upon your awareness of the importance of rural development. I am afraid your feeling, your understanding, is not as general as it should be nationwide, and I hope when you have an opportunity, you will alert other educators and administrators to the need.

I am particularly interested in your comments about one aspect of rural development that I don't believe is covered in your statement. We noticed in our work that some communities seem to thrive and grow and prosper, whereas others seem to wither on the vine; and when you study the communities, you find that there is no obvious difference in their natural endowments. They may each have the same amount of natural resources available. Locations may be similar as far as transportation facilities are concerned. There is no great difference in the energy supply or anything like this. The one big difference seems to be in the quality of the local leadership that is available.

I know your university, the University of Nebraska, operates the Extension Service and does train the future leadership of the State and of the Nation. I am curious to know if you have any ongoing efforts to train community leaders in anything like extension courses, or in a way to keep them abreast of what is happening currently in the world?

Dr. **Varner.** There is a variety of programs. Of course, the Agricultural Extension Service has always had as its primary commitment, people. It is a people-oriented program, but it also deals with improving efficiency. It is always geared to people.

Senator **Bellmon.** Now, geared to people in what way?

Dr. VARNER. In developing leadership, in developing the human qualities, the potential of a person not only as an effective farmer, but also as an effective citizen. There are other areas of the university involved in this also. We have a very aggressive program in cooperation with the State Department of Economic Development on Community Improvement. In November of this year, there will be a very large gathering here, where a panel of judges will make a determination of which communities in the State in a certain population category made the greatest improvement in the course of the past year.

I think this bears directly on your concern. Some communities wither and die and others flourish; we, too, are concerned about this. We need to recognize strong community leadership. Through our general extension division here at the university, we do have an active program in working with community leaders.

Senator BELLMON. Now, you will have a program to recognize communities that have done well, but my point is, do you have anything going to help the community do well?

Dr. VARNER. Well, I am not sure that I could answer that in terms of a specific program that is geared up and staffed to work with communities as such. There are fragments of programs throughout the university, but I would have to say that to my knowledge, we do not have one that has development as its prime objective. I wish we did.

Senator BELLMON. Would you answer my question—would you feel this to be a proper role of a land-grant college?

Dr. VARNER. Yes; and I would like to see that included in a program of rural development.

Senator BELLMON. As Senator Humphrey said, I am a farmer, live on a farm in a rural area, and I must say, and I am not talking about the University of Nebraska or Nebraska Extension Service, but my observation of the Extension Service is that it isn't coming anywhere close to doing the job that needs to be done in rural America. It is still concerned primarily with agricultural production and, of course, works with the youth groups, but so far as I am able to find out, there is very little work going on anywhere in the country with adult community leaders, and to me this is the big place where rural America falls down. We just have not produced the leadership in rural America that we need to meet the challenge of the times.

I was hoping if you have something going in this area, you might give the committee copies of lectures or programs that perhaps would guide us if we undertake to fund such an effort nationwide.

Dr. VARNER. Senator Bellmon, I must ask for an opportunity to get better acquainted with our resources. I have only been here a year and a half, and there may be some things going on that I am not aware of; if so, we certainly will bring them to your attention. I agree with the objective you have in mind. I would say only in defense of the agricultural extension service which may not be doing that job quite as effectively as you would like to see it done, that it is a pretty heavily burdened organization with a pretty thin line of troops.

Senator BELLMON. I am not critical of the Extension Service. I am not sure this has ever been their charge or responsibility, but it seems to me they are ideally suited to assume this responsibility if they have the resources.

Dr. VARNER. I would agree. It is a natural organization to get this job done.

Senator BELLMON. That is all.

Senator HUMPHREY. President Varner, you might want to give consideration at your university to the establishment of a clearinghouse for all programs—Federal, State, and local—that contribute to or would affect rural development.

I find that so many people are just unaware of what is available. And recognizing that what is available may be inadequate, it is still often not known or is not used. This has been one of the things that we have discovered as we have traveled around the country. We not only have encountered this problem in rural areas but also in cities, small and large. There are many programs but many of the smaller communities are not staffed professionally to take advantage of them. Their leadership often consist of very busy people. Often it is a merchant or a man that is a part-time mayor; often, the community doesn't have a high priced city attorney or a legal office or doesn't have a city engineer or planning office involving paid professional personnel.

It would seem to me that a great land-grant university particularly with a continuing education program which this facility demonstrates could establish a clearinghouse through which people could be notified throughout the State about programs to assist in rural development. It would be kind of a library service that would include technical services. Legal and information services could be provided. And I am convinced that this type of service is desperately needed in rural America.

I don't think that it necessarily has to be done by a governmental agency. First of all, governmental agencies are all jealous of each other. They all think they are members of the United Nations; they want their own autonomy, their own ambassador. I found that out when I tried to coordinate some of the agencies of the Government when I was in the Vice Presidency. It is not exactly a way to have a happy life. Even being Vice President is not always a good way to live a happy life.

[Laughter.]

Senator HUMPHREY. But I would hope you might give consideration to this. And on the matter of the College of Business Administration which Senator Curtis was inquiring about, the Small Business Administration, and the Department of Commerce sponsor a voluntary program—named SCORE— which taps the skills of executives that have retired but who are in good health for management consultancy and training. These executives provide a sort of in-service training for people who would need business management help.

Again, I think that we proliferate so much. Here is SBA with SCORE and the chambers of commerce with their little groups. It seems to me, the Institute for Rural Development could bring these forces together, not in a controlled, but in a coordinating way.

We take so many of these people today and send them all over the world. We forget to use them at home. I am really hung up on this whole business about financing. You find people who get angry when you provide a Government-insured loan to an American company here at home; yet within the same week we will give 50 of them to foreign companies around the world. It doesn't even get in the paper. Nobody knows about it. We have a World Bank that loans money; an Inter-American Development Bank that provides low-interest, long-term loans and grace periods where no interest is paid. We have an African Development Bank, an Asian Development Bank; and a Central American Development Bank. We generally are quite generous. We provide much of the capital from the American Treasury but most of the private loans come from the American money markets and if you are a foreign government or company you can get loans having low interest rates and 40 years repayment schedules. You have a soft window and a hard window in these money markets for everybody except folks in Nebraska and Minnesota and Oklahoma and the other 47 States in this Union.

I have become a little selfish. I think maybe it might be a good idea now to try this out on ourselves.

[Applause.]

Senator HUMPHREY. This is what I think was meant by your long-term, low-interest rate loans for public facilities.

A question about your university students: Is the university developing any programs to involve students directly in working with and studying the needs of or the plight of rural communities?

Dr. VARNER. Senator, you may know that we have been designated as the first university in America to develop a cooperative program with the new action agency to get students out in the communities working with the problems which are just out there, a whole variety of problems.

Senator HUMPHREY. Good.

Dr. VARNER. We will have on the first of October 82 University of Nebraska students from the Omaha campus, the Lincoln campus, and the Medical Center, out as the first wave of university students, largely juniors, working in the areas where they have some academic training and competence with faculty and community supervision. This is largely restricted at this time to working with those economically disadvantaged groups because this has been the framework under which they are working.

There isn't any question in my mind but that this very approach has an enormous potential for working in a whole range of problems. Rural development is one which I think is very—could very profitably participate in this program.

Our faculty has been flexible enough to be willing to grant academic credit for a year out in the field in service in working with real live situations, so that up to 30 credits can be earned by students under the supervision of faculty, doing term papers, reading, relating to what they are learning, and my enthusiasm is very great.

Sure, we are going to make some mistakes and occasionally we will be embarrassed but we are embarrassed by others, too. And I think this area has real promise in connection with what you are talking about.

Senator HUMPHREY. I hope you will pursue it.

We have kept you a long time, Doctor, and we thank you very, very much.

Dr. VARNER. Senator, I appreciate very much your asking me to make this statement because you forced me to think harder about rural development than I have before. What I have said, and I appreciate your generous comments, is a product of staff work. I do believe that the concept of institutes for rural development is a very exciting one. I have today mailed a letter to a major foundation with a copy of this statement asking if they would permit us to come visit with them about funding such a pilot program at the University of Nebraska. We would like to see how it works and how it can be useful.

Senator HUMPHREY. Excellent. Thank you very much. [Applause.]

(Note. For comment on the above subject, see page 403.)

Senator HUMPHREY. We are going to vary our witness list a little bit because we want to hear from some of our representatives of the farm organizations and I am going to ask Mr. Elton Berck, Nebraska Farmers Union; Mr. Albert T. Ebers, Nebraska State Grange and former State master of the Grange; Mr. Roland Nelson, president of the Nebraska Farm Bureau; and Mr. William Sellhorst, president of the National Farmers Organization, to now come before this committee. I want to say that this is a wonderful experience to see all four organizations together at one time. [Applause.]

We are really grateful to you for taking the time to come before us and we are anxious to hear what you have to say.

Mr. Berck, I believe we will just follow the witness list as I have it here on the sheet before me.

Mr. Elton Berck, Farmers Union, will be our first witness.

STATEMENT OF ELTON L. BERCK, PRESIDENT, NEBRASKA FARMERS UNION, LINCOLN, NEBR.

Mr. BERCK. Thank you, Mr. Chairman, members of the committee. This is a wonderful opportunity. You may regret that you have us all up here at the same time because we just may duplicate a bit, but the problem has been of long duration, it is historic, and we are going to dwell with the very real problems of agriculture which we feel are at the root of rural development, a very vital concern for the entire Nation.

We are going to associate ourselves, by the way, with the position established by the National Farmers Union President Tony Dechant who appeared before your distinguished committee June 16 this year. We would also join in support of the viewpoint expressed by President Nixon when he established the national goals research staff in July of 1969. President Nixon said these very important words: "We can no longer afford to approach the long-range future haphazardly."

Members of the committee, we have contributed, either through errors of commission or omission, to a process of economic erosion which has weakened the very foundations on which our freedoms rest.

The Farmers Union believes that the problems of rural America and the problems of urban America are blood brothers.

This Nation and all its people must realize before it is forever too late that we cannot continue to shove farmers down the economic trapdoor into the brawling mass of metropolitan congestion and unemployment without destroying much that we hold dear and which history has shown to be important.

We risk now, not tomorrow, but now, the destruction of the will to make democracy work, we risk the destruction of the American dream of liberty and justice for all, we risk the destruction of faith in the American system of government among the seething masses of the unemployed, discontented and disillusioned both in urban and rural America.

We are proud of the quality of citizenship in our great agricultural State of Nebraska but we are not proud of the fact that since 1900, 70 percent of our net outmigration has been of those in the 15 to 44 age bracket who have moved out of the State to find a more satisfactory wage level and a more meaningful job elsewhere.

We export not only our farm crops and our industrial products in quantity, we export also our underpaid, our underemployed and our unemployed and the vital feedstock of the tomorrows.

This was stated in a treatise titled, "The Nebraska Economy, History and Prospects," by Loren E. Casement, prepared for the Nebraska Centennial Symposium in 1969: "Failure to provide adequate employment is reflected to a large degree in the substantial outmigration figures for this State."

More to the point, nonfarm jobs and nonfarm jobseekers depend on farm solvency and farm well-being in this agricultural State and elsewhere.

The August issue of "Business in Nebraska," a publication of the Bureau of Business Research of the College of Business Administration, University of Nebraska, and referred to a bit ago, presents statistical evidence to support this statement.

It is an oversimplification to say that $3 wheat and $2 corn will solve all the economic and social problems of State and Nation.

It is no exaggeration, however, to say that continuing deterioration in the farm cost-price relationship casts its reflection on the city council meetings of every metropolitan area of the Nation.

As reported in the August economic summary by the President's Council of Economic Advisers, farm production expenses have climbed 154 percent since 1947 while farm gross income was advancing 66 percent in the same period, creating a 1.3 percent drop in farm net income while nonfarm groups were sharing substantially in the Nation's economic growth.

Farmers Union believes it to be self-evident that this Nation must develop a land use and population distribution policy and soon.

We believe that an integral part of such policy is a Federal farm policy and Federal farm programs which will make it possible for the young farm family to own a farm and realize an accepted American standard of living through its operation. Every citizen in this Nation should realize that he has a vested interest in the prosperity and well-being of the family farmer.

To this end Farmers Union strongly opposes any governmental reorganization plan which would dismantle and fragment the U.S. Department of Agriculture but we demand that the policies of that department come under close congressional scrutiny in order to see to it that it is in fact a department for family farm agriculture.

Members of the committee, in summary, the Farmers Union believes it to be self-evident that the first and most important step in rural development is to elevate the family farmers to a position of full partnership in the Nation's economy.

More than that, Farmers Union believes that the historic and continuing inequity in family farm income carries within it the seeds of destruction for the Nation.

The alternative to the family farm is a corporation owned farmhand-operated agriculture.

History has demonstrated and Farmers Union believes that a corporate-farmhand agriculture and a free system or government are not compatible one with the other.

I will go further than this and say that is not a spectator activity. For to long we have contended ourselves in areas of economics and in areas of agriculture to pointing the finger at other people, to saying this should be done, that should be done. The salvation of the State begins with the citizen himself in every walk of life. I am sure that Bob Devaney would never have brought the Nebraska Cornhuskers to the spot of No. 1 in the Nation had he put two men in the field and the rest of teh squad on the bench discussing what should be done.

This is not a spectator activity. The salvation of the State demands the action of everyone of us.

Thank you very much.

Senator HUMPHREY. Thank you very much.

[Applause.]

If it is agreeable with my colleagues we will just have each of the gentlemen make his presentation and then we will come back for questions.

Mr. Ebers, former State master of the grange.

STATEMENT OF ALBERT T. EBERS, NEBRASKA STATE GRANGE, SEWARD, NEBR.

Mr. EBERS. Senator Humphrey, Seantor Curtis, and Senator Bellmon, it is a real privilege to appear before you.

I am going to make my statement quite brief here. The written statement you have but I am going to try to enlarge a little more.

Senator HUMPHREY. We will incorporate the entire statement in the record.

Mr. EBERS. The prosperous agriculture made up of family-size farms is the greatest asset to any rural community. We recommend support of the following items to bring rural development through a prosperous growing agriculture.

First, the 7 percent investment credit should be reinstated.

Second, marketing and reading of the past legislation celarly gives agricultural producers the right to organize and bargain with the handlers and processors as to terms for selling their production.

Third, agricultural research, and especially there we recommend more research on nonchemical pest control and animal waste pollution.

Fourth, adequate credit to the Farmers Home Administration.

Fifth, Federal agricultural program, a price support program tied to parity and supported by at least 90 percent of parity is very necessary to a thriving agriculture. American farmers should not be expected to produce and sell at a world price with American production costs as they are.

And then sixth, finally, new industry in our rural areas. New industry in rural communities will also help in the development of rural

America but a rural community that depends on one industry does not have a balanced economy unless it also has a possible agriculture surrounding it. Depending on one industry as the main source of employment means the area suffers with the ups and downs of the industry and rural Nebraska needs industry related to the developing, processing, and packaging of the grain and livestock grown on the farms in Nebraska.

Our Federal Government can encourage small industry movement to rural communities by special grants and tax incentives such as the 7 percent investment credit on a limited amount of investment each year.

If you would allow me I would like to enlarge a little bit on the family farm. I know you are all familiar with Dr. Walter Goldschmidt's work in California of two communities very similar, surrounded by irrigation, grape farming. Both communities produced a total agricultural value of products of $2½ million. This was back in 1946. But Arvin, Calif., was surrounded by large-scale farming diluted with family-size farms. The large-scale farms in Arvin generated $2,535,000 retail trade buying while the same volume of agricultural production in Dinuba generated $4,383,000 trade volume.

How can this be, a 61-percent margin in favor of the family farm? Why? Large-scale farms receive volume discounts on large purchases of farm inputs and receive premiums on volume sales but most of these transactions are not in rural communities whereas family farm units buy and sell mostly in the local community.

The Arvin community supported 35 separate business establishments while Dinuba had 62, almost a 2-to-1 ratio in favor of the family-sized farm community. The Dinuba community, family sized, supported 20 percent more local people than Arvin and they enjoyed a higher standard of living.

In attributes associated with quality of living Dinuba excelled greatly in physical facilities, providing services such as sewers, sidewalks, water, schools, parks, recreation, churches, civic organizations. I am sorry to say I could not find more recent research on this but I think this is significant.

After 25 years, if there was a balancing influence that cut down these differences, we would certainly have had time to see it, but after 25 years, we find that the difference is even greater. The Arvin community lost 800 population and a prosperous businessman in Arvin said himself Arvin has deteriorated. It is worse now than it was 25 years ago when Dr. Goldschmidt made the study, and Dinuba looked prosperous. It was surrounded by neat, cared-for homes in the country, no empty stores, and its population increased. So you see the percentages are even greater now than they were 25 years ago.

Now, what I am trying to say is we would like to keep the family-type farm and how to do it? Now, Dr. Rex Daly, chief analyst, USDA, thinks it is possible by 1980, only 10 years away, we may only have 200,000 farms in the United States and that is only if these farms consolidate and merge to the size of the large farms we have now. In Nebraska 6 percent of the largest farms produced 40 percent of the total value of agricultural products in our 1964 census.

I do not know how far we should go before we do anything about stopping the trend.

Now, this is the trend. And let me just say, this gross income of the family farm compared with the large-scale farming was spent on a similar basis or ratio as in the Arvin, Calif., community and Dinuba. Then in my own country, Seward County, we would have $10,280,000 less spent locally than we have today, and that is about a third of the total gross income in my county. In Nebraska we would have $642.5 million going from the rural communities to cities; less spent in the rural communities. In rural United States it would mean $25,700 million leaving rural communities, being spent in the cities.

Now, how can we develop rural America and furnish jobs and employment and have people there if our resources are going out like that, and what do you have to go in its stead?

Of course, we can talk about new industry which is fine and we want that, but this is the problem.

Now, just one more statement. Some say increase farm income and it will solve the whole problem. I do not believe that. I do not believe you are going to change the trend in agriculture, the size of farms, by doing that. Fortunately, we have a State law that was tested through the U.S. Supreme Court that as far as I am concerned, enabled us to determine and keep the family-size system and that is the North Dakota law. It prohibits any domestic and foreign corporations from engaging in the business of farming or agriculture, but it exempts any corporation who are active farmers or where 75 percent of the value of the stock is held by stockholders who principally depend on farming for their livelihood.

Now, all I have to say is before you listen to all the people that will say what disastrous effect this will have on agriculture, just go to North Dakota and see for yourself. When I called the dean of agriculture, when I called the director of agriculture and asked him how is the North Dakota farmer faring, he said we are increasing size, we are keeping up with technology, with any farmers in the country.

Thank you.

Senator HUMPHREY. We thank you very much, Mr. Ebers. We want to come back to you for questions later.

(Mr. Ebers' prepared statement follows:)

Mr. EBERS. I want to preface my remarks with a few statements. In the first place, I wish I could say that the trend to larger and larger farming operations is progress toward the good life.

I do not believe making money is an infallible criterion that always leads to progress toward the good life. A case in point are the large cities. As Chancellor Varner stated so well, the big cities did not plan to have the problems they're facing today, it is rather that they just drifted into their present dilemma or it was lack of planning and foresight.

Therefore, I congratulate the Nebraska University Agriculture Economics Department in attempting to look at where present trends in agriculture will lead to, and whether there is anything that could be done to direct it to better ends.

I do not believe big cities with crowded living conditions, traffic, pollution, exhorbitant costs, gross inefficiencies, and the many byproducts of such an environment is the quality of life that makes for a strong healthy Nation.

I agree with Dr. Rex Daly that the trend today is toward larger farms in agriculture. Note, however, Dr. Daly did not say that size of farms would stabilize at 200,000 farms, and there is no valid reason they would.

But when I tried to find how such a small number of farms (200,000 farms) would effect rural America, the number of people living on farms and in towns and in small cities they support, I had to go back to a study in 1946 by Dr. Walter Goldschmidt, professor of anthropology and sociology at the University of California at Los Angeles. He studied two communities, Arvin and Dinuba, Calif. Many sociology professors in the State of Nebraska and in the Midwest, have no interest in studying the effects that fewer and larger farms will have on the economy and social life of rural America. They say, because number of farms and people on farms are declining, and because the trend to larger farms is irriversible, such a study is written off. Yet agriculture is growing and expanding in every other category. Because an automobile company increases production by installing automation but employs fewer people it is not spoken of as declining, neither is agriculture declining.

Back to Dr. Goldschmidt's study of the two similar communities of Arvin and Dinuba, Calif. Arvin was in a large-scale farming community and Dinuba was in a family size farming community. The value of the agricultural production of both communities in 1946 was the same—$2½ million.

Arvin generated a $2,535,000 retail trade volume, whereas Dinuba generated $4,383,000 trade volume. A 61-percent margin in favor of the family-sized farm community. Why? Large scale farms receive volume discounts on large purchases of farm inputs, and receive premiums on volume sales. But most of these transactions are not in the local community. Whereas family farm units buy and sell mostly in the local community. The Arvin community supported 35 separate business establishments, whereas Dinuba had 62. Almost a 2-to-1 ratio in favor of the family-size farm community.

The Dinuba community supported 20 percent more local people than Arvin, and they enjoyed a higher standard of living.

In attributes associated with quality of living, Dinuba excelled greatly in physical facilities providing services such as sewers, water, sidewalks and in number of schools, parks, recreation, churches, civic organizations, et cetera.

After 25 years it is very interesting to read Victor K. Ray's appraisal of the two communities. A Mexican-American resident of Arvin described it as a town with a lot of shacks and old cars with Texas license plates. Even the rich irrigated land and vineyards in the country are dotted with poor houses and old cars. A businessman with an attractive office and owner of several businesses in Arvin said that in the 17 years he was there, Arvin changed for the worse. Arvin's population dropped from 6,200 to 5,400, an 800 decrease.

Dinuba looked prosperous, surrounded by neat well-cared for homes in the country. No empty stores. Its population increased from 7,400 to 8,000, a gain of 600.

Now, what will Dr. Daly's prediction of 200,000 farms probably mean to Nebraska. Dividing the present 3 million farms in the United

States by 200,000 equals 15. Approximately 75,000 farms in Nebraska now divided by 15 would leave 5,000. My county in Nebraska is Seward County. The census of 1964 cited the number of commercial farms as 1,208 divided by 15 leaves 80 farms in Seward County. Figuring the gross income of 200,000 farms in the United States at $60 billion, each farm would average $300,000 gross. If this gross income were spent on a similar basis or ratio as in the Arvin, Calif. community then about $171,500 would be spent locally and $128,500 elsewhere—some in Nebraska, some outside. In Seward County this would mean over $10 million spent outside the county and less for local businessmen. Nebraska does not have very many factories making farm inputs so most of this money would go outside of the State. For Nebraska rural communities it would mean $642,500,000 leaving the State. For rural America it would mean $25,700 million leaving rural communities for cities.

In other words, large-scale farming develops cities, and by Arvin, Calif. standards leaves the rural areas a slum. Large-scale farming employs labor, and agricultural labor is unionizing now. Strikes at harvesttime will be a part of future large-scale farming. Why should we exchange a family business enterprise system in agriculture where its livelihood depends on harvesting its crops, for such a hazardous system. And why should we exchange a small business farming system spending a gross income of $20,000 in the community, for a $6,000 yearly wage?

I would like to see a gradual increase in family farm size to incorporate the latest techniques in order to achieve maximum productivity, but would like to see some kind of a ceiling on size such as the North Dakota law which restricts size to a family actively operating the farm.

Today this would mean, again using Dr. Daly's projections of seven to eight hired men per farm on the 200,000 farms, about 1⅓ to 1½ million family farms.

There is no doubt that these family farms could produce all the food we need and export and more. There is no doubt they would harvest their crops. They would support communities of sufficient size to have schools, churches, recreation, social life, and culture that would attract people.

When one thinks of 200,000 farms still consolidating, merging, and the actual farm operation being done by union labor, and migrant labor in sparsely and ever more sparsely populated communities; who would want to live in such hinterlands for any salary? Why have a rural slum like Arvin, Calif. all over America? Why not have an attractive, viable quality of life in rural America like Dinuba, Calif.?

Two presidential study committees, one on urban problems, the other on rural affairs, both concluded that the migration of rural people to large cities have greatly intensified the insurmountable dilemma of the big city. Presidential Cabinet members and environmental authorities are saying the next 100 million people in the United States should find employment and live in rural America. But how can they, when ever larger and larger farms are destroying the largest and basic industry; namely, the family farm that provides and supports the livelihood of millions of people in rural America. It is high time policy be established whether the United States is to have a family-type agriculture or a corporate wage-labor type. And we had better decide quickly, before large farms take over.

Dr. Goldschmidt said: "The family farm is the classic example of American small business enterprise. For generations this institution and the community it supports have held the esteem of all who have known and understood the American heritage. Statesmen, historians, economists, and sociologists have generally agreed that the spread of the family farm over the land has laid the economic base for the liberties and the democratic institutions which this Nation counts as its greatest assets."

For the sake of building a viable rural America on a solid foundation let us preserve the family farm. And if my extreme concern about the disappearance of the family farm is proven a false alarm today, no one will be happier than I. But you will have to show how the present trends to large-scale farming can effectively be stopped.

Senator HUMPHREY. Mr. Roland Nelson, president of the Farm Bureau.

STATEMENT OF ROLAND NELSON, PRESIDENT, NEBRASKA FARM BUREAU FEDERATION, LINCOLN, NEBR.

Mr. NELSON. Senator Humphrey, Senator Curtis, Senator Bellmon, it is with real appreciation that I appear before the committee this afternoon.

Now, I would call your attention to the fact that the Farm Bureau has been represented before your committee on previous occasions in the person of Mrs. Havensmith, a distinguished citizen of the State of Nebraska, the western end of our State. And I would say as president of the Nebraska Farm Bureau, I would certainly concur in what she had to present to you.

It is my understanding that this committee is interested particularly in rural development which is nonfarm, rural areas particularly. I shall use at least a part of my time dealing in this particular area and only with certain broad facts because I am sure this committee also knows that the Farm Bureau goes to its people once a year to determine its policies and it is at this time this year that our people are currently considering the many problems specifically pointed up with the emphasis on rural development at this time.

Now, in this area fundamentally, of course, is the fact that we must begin with the natural resources which we have. In the State of Nebraska we are richly blessed with certain natural resources which are best made use of through agriculture, through farming and ranching. We must start where we are at. We would call attention to the fact, however, that there have been many efforts in the past to improve rural America and I might cite several of the agencies and the acts which have been enacted over the past many years beginning with the one already mentioned one time this afternoon, the Homestead Act, the Land Grant College Act, the REA, the various farm-to-market road programs and the rural mail delivery, your experimentations, extension service, et cetera.

Some of these are out of date, have been discontinued. Some of them certainly we will want to continue.

So, we start where we are. Wise development, use, and preservation of natural resources will improve no faster than the education and disciplines practiced by the people. I think here we would point out that whatever we decide to do in the way of development of rural Nebraska, and the rural part of our Nation, certainly must be a part of what the rural people themselves want and develop and are able to develop in their own rights.

Now, communities should be developed from within to the extent possible and any outside help should be directed toward strengthening the self-reliance and independence of individuals, groups, and communities. We see few things that are more pitiful than the discouragement that comes from the building of false hopes and those whole circumstances preclude fulfillment. Making individuals or whole communities dependent on outside help will not strengthen the individual, the community, or the general welfare.

Now, the programs should be at a level that can be maintained. Some problems in rural poverty will not be solved in a year or in many years. While trial and error must of necessity be practiced under the circumstances, confidence associated with major changes in program administration requires stable, responsible, but flexible and locally oriented programs that must be considered.

We are dealing in many cases with poverty and it should not be necessary to remind those designing programs that they should be economically feasible. Congress does have tremendous responsibility in areas other than developing programs to overcome rural nonfarm poverty. And we call your attention to the very serious problem facing rural America and all of America over the past many years and presently, the problem of inflation.

Now, it is always harder to lose and fall and those that have been defeated have fallen in many cases through circumstances beyond their control. Now they need inspiration, motivation, and confidence before they will believe that trying again will be worthwhile. I am sure these are the problems that this committee is dealing with.

At the same time we can hardly help those who are unwilling to make any investment in themselves unless we feel that some responsibility, a great deal of responsibility, must lie with those people.

Thank you.

Senator HUMPHREY. Thank you, Mr. Nelson.

Our final witness of this panel is Mr. William Sellhorst, president, National Farmers Organiaztion.

STATEMENT OF WILLIAM SELLHORST, PRESIDENT, NEBRASKA NATIONAL FARMERS ORGANIZATION, DODGE, NEBR.

Mr. SELLHORST. Chairman Humphrey, Senator Curtis, Senator Bellmon please, Senator Humphrey, the last time you and I were on the same program was Louisville, Ky., some several years ago.

It is apparent to everyone that rural America is losing farm families at a rate that is accelerating each year. The out-migration of farm families can only be traced to the depressed income situation which has existed for some time and which has been getting increasingly worse, under the Nixon administration.

Last December, the parity level of agriculture dropped to an all-time low. An attempt to cover this up was made by adjusting the base years used as figuring the parity formula. This action did not and will not put money in the farmer's pocket and in the pockets of rural businessmen.

In addition, this type of deception has left a very bad feeling among farmers toward the present administration. The only real solution to the rural problem can only come about by restoring agricultural income to the same level as business and labor. To bring about this increase in income, the National Farmers Organization proposes the following steps:

1. That Secretary Hardin shall immediately put into effect a 90-day moratorium on delivery of 1967 and 1968 farm-stored feed grains as asked for by Governor Exon.
2. We are not recommending to all grain farmers to utilize the Commodity Credit Corporation loan program as it was originally intended; that is, to facilitate the orderly movement of grain into market channels and establish for themselves a favorable bargaining position.
3. We would ask the Secretary of Agriculture to raise the loan rate on corn to at least $1.56 per bushel on the farm, $1.75 per bushel loan rate on wheat on the farm, and $2.75 per bushel loan rate on soybeans on the farm, these rates to go into effect at the earliest possible date, and all other grains to be raised to comparable levels.
4. We propose that any steps to be taken regarding a wage-and-price freeze, or an economic followup, to be taken in such a manner as to bring farm prices to the same levels of business and labor.
5. We ask that a more attentive ear be given to bona fide farm organizations, and that the nationwide collective bargaining program for agriculture initiated and proven workable by the National Farmer Organization, be given all the support that can be mustered by this and future administrations.
6. We propose the USDA would discontinue the practice of issuing crop reports during the critical growing periods, as they do tend to drive prices down, and that a congressional investigation be held of the grain trades practices and USDA's part in them.

I have great confidence the time has now come when the leaders and people of the Nation now recognize the fact that rural America is decaying rapidly. Immediate action is now imperative. It is with this confidence and my confidence in you as a fighter for justice, Mr. Humphrey, that I appear before this committee. I trust you will fight for the survival of rural America and for the family farm and the farm people who contribute to all of the basic needs of people everywhere in the world.

All we are asking for is a fair shake. Give us the opportunity to prosper from the fruits of our labor, and we will show all of you how great this Nation can really become.

To substantiate what I am saying, on August 10 the U.S. Department of Agriculture issued a crop report as of conditions on August 1. It was a crop report that was totally unrealistic insofar as the amount. And 30 days later we had a situation develop throughout most of the Middle West that would make that crop report look rather sick. Yet, on advanced information today, USDA says that in the last 30 days, crop conditions in these United States have only suffered to the extent of 1 percent.

Now, you gentlemen drove around McCook, Nebr., and you came across country, so I am sure you have had enough observation of farm crops to know in the last 30 days we lost far more than 1 percent throughout Illinois, Iowa, Kansas, Nebraska, the Dakotas, et cetera, but just on the basis of the crop report; I would like to point out that when that crop report hit, we had a drop, an average drop, of 30 cents per bushel in the price of corn, an immediate reflection. In the State of Nebraska alone, based on the crop report that USDA issued, we lost $154 million of income to this one State, or an average of $3 million per corn-producing county.

Now, gentlemen, let us just reflect for a minute. Let us assume that the factories that we talk about, and everything that we need for the development of rural America, should be here, and let us say one of those factories should have a $3 million loss. This would hit the news media; it would hit everyone to the extent that everyone would become alarmed. Yet in a matter of just a few days, through a crop report that had to be erroneous, these farmers lost $3 million per county, and really who is going to battle for them in this issue? This is why I say the basis of solving rural problems is going to rest with the American farmer. When he has got money, so has everyone else.

There is an old saying that says as a farmer goes, so goes the Nation, and this I firmly believe.

Senator HUMPHREY. Mr. Sellhorst, I want to thank you very much. May I respectfully request that you convey my greetings to your membership. I understand you are holding your State convention here in Lincoln.

Mr. SELLHORST. Yes; we are. We have about a thousand farmers here.

Senator HUMPHREY. I want to thank you very much for coming here today to testify on their behalf and on behalf of others. I will just take a very brief moment here. I have been terribly concerned about the crop report. I traveled all through Minnesota this month. I do not say that facetiously. You need to go home to talk to friends and people where they live. As you know, the southern part of our State, in our corn and soybean belt, has been suffering a serious drought. Besides that, we have suffered the ravages of selective hailstorms that have knocked the living daylights out of everything in sight. So I do not know where they are producing all this corn, because we are not doing too well at home.

Mr. SELLHORST. We are not doing so well in Nebraska, either.

Senator HUMPHREY. The crop report, we thought, would be down considerably. I understand that this report was issued today, was it not?

I am not the chairman of the particular subcommittee that would look into this but we are all Members of the Senate. I am sure you know that we also will want to look into this. This is why I said earlier to Governor Exon that I asked some time ago for the 90-day extension of the maturity dates for our people in Minnesota. We have no excess storage space right now. If you force that grain off the farm you are going to see the price of corn go down sharply. I watched the Commodity Credit Corporation dump some corn on the market a few years ago, about 7 or 8 years ago, and the price of corn went down right away.

I want to turn the questioning over here now for a moment to Senator Curtis.

Senator **Curtis**. On the subject of crop estimates, it is not only this year but over a period of a number of years I have had many farmers raise some questions about it. I have had many questions raised in reference to livestock estimates, the number of cattle on feed also.

Are you recommending that the crop estimates be discontinued by the Department of Agriculture or are you suggesting some sort of revamping?

Mr. **Sellhorst**. My recommendation would be that crop estimates issued by the Department of Agriculture would be issued at a time and on the basis when the total amount of that crop is assured. I would recommend that under no conditions would any type of a crop estimate on corn or soybeans or grain sorghums be issued previous to September 1, and especially not during the months of June, July, and August, because in this State and in many other States, and I have traveled a good portion of the United States extensively, the critical growing period is basically August 1 to August 30. In the State of Nebraska especially, and everyone who has lived here all their lives like I have, knows that those 30 days, and even from August 1 to August 15, generally make the difference.

Now, it would be apparent to me that there is to some degree a conspiracy at least on the basis of issuing crop reports at about the same time the takeover date for seed grains comes about. It would seem then that the idea is to depress the price of seed grains to the extent the farmer cannot redeem them and turn them into ready cash.

On this basis we are saying that crop reports on those three crops specifically should not be issued before September 1.

Senator **Humphrey**. All right.

Senator **Curtis**. You just would change the time?

Mr. **Sellhorst**. That is right.

Senator **Curtis**. That is the only suggestion you have?

Mr. **Sellhorst**. Yes, regarding that.

Senator **Curtis**. Do any of the other gentlemen have anything you want to comment about on the crop estimates, the system? Any suggested changes or anything else any of you have?

Mr. **Berck**. Senator Curtis, they perform a very vital function in our economy. However, we could desire a greater amount of accuracy and less of "guesstimates" because this factor does injure the farm producer. This is the thing that Mr. Sellhorst referred to, the fact that the estimates were often faulty. And we know in Nebraska those of us who have farmed a good many years, today's good crop prospects may fade with tomorrow's sunrise and drought in the area or hail storm or what have you.

Senator **Curtis**. In your opinion, in what way do they serve a useful purpose to the farmer?

Mr. **Berck**. The production of crops, the production of farm products in this Nation is a matter of vital concern, a matter of the—they affect our national policy, our international trade relationships, our projects for disposable amounts of these products, a projection of the supply of vital foodstuffs that will be available in the future. We cannot afford as a Nation to guess about this very vital factor. The Congress and the administration have a vital concern.

Senator BELLMON. Are not these crop reports guesses?

Mr. BERCK. They are educated guesses.

Senator BELLMON. The information on how much is the harvest is important but these guesses that somebody makes are of no value to anyone so far as I can tell, because they adjust them every month.

Mr. BERCK. I maintain, Senator, they have in the past served a vital function.

Senator BELLMON. To help keep the markets down, if that is a vital function.

Mr. BERCK. They have done this, too, but I would not condemn them out of hand.

[Applause.]

Senator CURTIS. I am interested in the matter because it has been with us a long time but at the same time I am disturbed when things happen that are not good for the agricultural economy and I am impressed by what I hear, not just this year but over the years.

Mr. Nelson, do you have any comments that you care to make?

Mr. NELSON. I would make a couple of comments.

In the first place, I know that a good many of my members are real disturbed about crop reports as they come out and later prove to be inaccurate, and so am I. I believe that the statistics indicate that in the past, over a number of years, that the estimate on August first has turned out to be lower than what was actually harvested and it was over-estimated. Now it would appear to me in this year the opposite is true.

Now, I would make one other comment, I think, and that is should we then prohibit private crop reports from being made if Government crop reports are not being made because in my particular case, I unwisely chose to speculate on a little bit of corn that I raised last year and it was not the Government's crop report that caused the market to go down and my elevator. It was a private report that came out ahead of the Government's report.

Now, I am of the opinion that we do have in the grain trade and those we market will have the information and I am thus of the opinion to prohibit a Government crop report is probably not the right answer. I am certainly for more accuracy, however.

Senator CURTIS. Now, Mr. Ebers.

Mr. EBERS. I am glad Mr. Nelson said what he did. This was the point I was going to bring up. We will have private crop reports anyway and maybe they will come out, maybe they will not. But I would rather rely on the Government report than I would the private. And certainly, we can use the futures market—I know some of the farmers that did, on these reports.

Senator HUMPHREY. I think the point that can be made, if I may say, is that the report, without going into whether or not the Government should be publishing such reports often has had a depressing effect upon the stored product. In other words——

Mr. EBERS. Yes.

Senator HUMPHREY. In other words, if you get a Government report that says a crop is going to be very big, the Government then says that because of this we have to start to clean out the bins. I have seen this happen so many times—I served on this committee before for almost 10 years. I used to be on the subcommittee that worked on grain storage. We had a number of hearings years ago about the whole subject of grain storage, and the grain storage program ties in very closely with the crop report. When you have a crop report that may be somewhat misleading later in terms of being too high you do not have time to get rid of your grain in the bins. And such reports do not have a depressing effect on the market. But when you get one that says within a week you are going to have a bigger crop or it did not drop as much as we anticipated and we want you to deliver your 1967–68 crop to the market, everything goes boom.

There is a lot of speculation in agriculture. Most people do not understand agricultural marketing, as you know. I do not think too many of us in the Congress do. I do not claim to. I spend a lot of time thinking about it. All I know is it is pretty hard to get ahead of it.

Senator BELLMON. Mr. Chairman, I would like to just raise two quick questions. I know there is a problem of time so I will hold them down.

Mr. Sellhorst, the suggestion that the loan rates be raised, as you mentioned, I have forgotten the figure you said, $1.50 for corn, but at any rate, those figures are substantially above the world marketplace. If we were to be able to do this, and realistically I doubt that an urban-oriented, dominated Congress would go along with such figures, but if we did, how would we go about our export market?

Mr. SELLHORST. First of all, from the standpoint of being realistic, an export market that does not return to the producers cost of production plus reasonable profit, has no value.

Senator BELLMON. What happens to that 30 percent of our farm plant that is used to grow these supports?

Mr. SELLHORST. The world market is a market that can be likened to a great degree to what we have got domestically. It is a case of bargaining powers getting together for the purpose of arriving at a mutual ground.

I will give you an example of this. We do a good amount of trading as an organization with Japan as an example, bargaining with it and selling, too. We do some with Pakistan. We do some with England. In all of these cases we have been able to make sales to these countries at something somewhat above what the domestic price return is to the farmer. We have developed kind of a misconception as to the fact that a world market is something that should be a dumping ground for the American product to get it out of here and the end result should be that we should in return have less and, therefore, get a price.

With a situation that has developed today on that basis, assuming you go this route, then all you have to do is turn right around and do what Hardin did last winter—lower the conversion from 40 to 20, and you are back in the same soup.

The idea is if we are going to establish markets then let us establish them on a bargaining position worldwide, not on the basis of a giveaway, on the basis of a low market. We have got complaints from the European Common Market countries right now of the United States going into those countries at below their support for their farmers and they are freezing us out. If we want part of that market it can be obtained very easily. Let us get our price of grains up to their level and we have got it.

Mr. EBERS. I would like to say the Grange has always said we need a two-price system. We do not mind selling our surplus on the world market and at a world price, but we hate to produce everything we have and sell it at the world market price which the world market sets except in wheat.

Senator BELLMON. The present farm program is in effect a two-price system with the certificate payments for that production in domestics.

Mr. EBERS. For wheat?

Senator HUMPHREY. For wheat, yes.

Mr. EBERS. But we hate to sell all of our produce, all of our grain and sell it on the basis of the world prices. If we have a two-price system there that would help.

Senator HUMPHREY. Gentlemen, this is most interesting. As far as I am concerned, we could spend a lot of time here and learn a great deal from you. You know, we have jurisdictional problems in Congress. Since I am a freshman Senator I am against all these things like seniority and jurisdictions and all that, but we have committees that go into this. Some of us serve on those committees. We will look forward to hearing from you about it again but I think the thrust of your testimony is simply this:

Rural development does not depend substantially on outside economic forces. It depends mostly upon what is generated within the agricultural community itself. It is very difficult to get rural development if you have a bankrupt countryside or depressed agriculture. I want to tell you, my friends, having been born above a drugstore, raised in a rural community, I can tell you our prosperity in that drugstore depended upon the farmer. When he had it, we had it. When he had good prices, we had good income. When he had poor prices, we had poor income. I did not have to go to college to learn that. I spent a lot of time in college studying economics. It did not destroy all my sense of values about economics. [Applause.]

Thank you very much.

Thank you, gentlemen, very, very much.

I have the privilege of introducing the next witness. I take just this moment to say I much regretfully leave this hearing. It is not my desire but I have a commitment that compels me to do so. I must catch a plane.

I have enjoyed immensely the privilege of being here at this university, participating with Senator Curtis and Senator Bellmon in the hearings in Oklahoma and Nebraska. I think the two senators know that no one enjoys it more than I do and we have lots of fun together and work hard at it.

This last week we had the privilege in Washington of hearing from the new organization, known as the Coalition for Rural America. The Coalition for Rural America represents people from many walks of life; labor, community action programs, farm organizations and business. It represents church groups and it represents elected officials including some former elected officials.

The two cochairmen, of the meeting held in Washington which I was privileged to attend, was the former Governor of Kentucky, Mr.

Breathitt, and the former Governor of Nebraska, Mr. Tiemann. That meeting was also attended by the former Secretary of Agriculture, Mr. Freeman, and the present Secretary of Agriculture, Mr. Hardin. Senator Pearson of Kansas and myself were there to represent the Senate. Also present were at least eight or 10 former Governors of our States.

Today we have with us former Governor of Nebraska, Norbert Tiemann, vice president of First Mid-America, Inc., Lincoln.

If my dear friend will forgive me, I must run and catch hold of a United Airlines jet somewhere along the line over in your sister city of Omaha. I am going to turn you over to the tender hands and the kindly influence and persuasive eloquence of the Senator from Nebraska, Senator Curtis, backed up by Senator Bellmon. I am sorry I am not going to hear you but you were good when I heard you last week.

STATEMENT OF NORBERT T. TIEMANN, VICE PRESIDENT, FIRST MID-AMERICA, INC., LINCOLN, NEBR.

Mr. TIEMANN. I should report to Senator Curtis and Senator Bellmon while you are still here, Senator Humphrey, that in discussing football during this meeting the Senator refers to, I suggested to Senator Humphrey if he were a betting man he should bet on Nebraska and if he is loyal to Minnesota, bet on the Vikings. [Laughter, applause.]

(Discussion off the record.)

Mr. TIEMANN. Senator Curtis, Senator Bellmon, I am pleased to present my views regarding the growth of this Nation as it relates specifically to rural America.

In my opinion, "balanced growth" is growth resulting from equal economic and social opportunities in nonmetropolitan as well as metropolitan areas of the Nation, in both quantity and quality, as fixed resources and standards for quality of life permit. When we talk about achieving "balanced growth," the underlying assumption is that growth is "unbalanced," and that is true. In the Plains States, population is now weighted to older people. Job opportunity is less available, therefore, we have outmigration of our younger people—particularly the trained ones. The relatively low average income proves that many of the people in our area are unemployed and underemployed.

Total commitment is needed in order to achieve "balanced growth". I am pleased that President Nixon is calling for the development of a national growth policy. His interest and the interest of numerous governmental agencies in this proposal is generating wide comment and consideration in rural America. The total commitment in formulating and implementing a national growth policy must be at all levels of government and particularly, the citizen must be committed. The citizen is the key at all levels because he must want and be willing to pay for programs necessary to trigger a balanced growth movement. Without his commitment, all efforts will fail.

Let us keep in mind that from the standpoint of the government, "no policy" is a policy and from the standpoint of the citizen, "no commitment" is a commitment.

We must realize that, for one reason or another, all persons in the rural areas are not going to favor a reversal of the migration trend.

Many envision that hordes of people will be moving into their areas, polluting their air and water, competing for the services which are already in short supply and placing the cost of development on people who now make up the rural community. Most people live in rural America today because of the clean air, space, room for wildlife recreation, and generally aesthetic qualities. Also, there is always the basic underlying fear that the neighboring communities will receive the economic development boost to the detriment of one's "home town."

While we discuss the pros and cons of balanced growth here today, I would like to point up a number of the programs that are not designed to achieve the goal of balanced growth. While working as vice chairman of the National Governors Conference Committee on Urban-Rural Development, we put together a framework for a national community development policy. It is my feeling that the framework embraces vital related policies which need to be developed, such as the national transportation policy, economic development policy, population distribution policy, national policy on agriculture, et cetera. The list goes on. As we got further into this program, it became obvious to us that there were many Federal programs which needed to be modified or deleted if we were truly dedicated to balanced growth.

These are just a few of the Federal programs which inhibit growth in our smaller communities or that in fact discriminate against small communities.

First, is the Economic Development Administration. The EDA does not recognize substantial outmigration as a valid indicator of economic problems. In Nebraska, and I feel we are like many other rural States, we have a low employment percentage rate in our lagging counties because the lack of jobs causes immediate outmigration. When EDA uses unemployment percentages as criteria, it therefore, discriminates against rural America.

In the area of housing, the Farmers Home Administration has residency requirements for home loan applications. The applicant must establish residency in a community of 5,500 or less population prior to the application. It is impossible for persons moving from larger cities to smaller communities to obtain such loans. If a person moves from a community of 5,500 population or under to a larger city, he does not have the residency requirements for loan assistance from the Federal Housing Administration.

Let us not writeoff small communities of 5,500 population and under because, in the State of Nebraska, as in other Midwestern States, we have many communities of this size which have a good sound base and have the capability of absorbing population growth. The national goals research staff report indicates that the size should be approximately 25,000. Well, that is too high. Most of the small communities in this Nation have an extensive inventory of social overhead capital in fire equipment, schools, hospitals, streets, airports, et cetera, that are underutilized because of low population. Sound investment practice would be to make use of these existing facilities instead of the continual and impossible effort to match the social overhead capital required in metropolitan areas.

Inequities also exist in water and sewer programs. The Farmers Home Administration makes loans and grants to communities under

5,500 population for construction of water and sewer facilities. When grants are made by the Farmers Home Administration, they are not encouraged to be at the 50 percent level as are HUD grants to larger cities. The result is that the small communities receive the small percentage grant while large communities receive the maximum grants of 50 percent.

Although it goes against instinctive business sense, immediate efficiency and economic considerations cannot always be regarded as the overwhelming decision factor in all national resource investment decisions. Less than efficient institutions and service outlets may require subsidies.

Each State must be give an opportunity to develop its own urban-rural growth strategies, based on extensive citizen participation. Each State now has the structure and knowledge of the people and areas within its borders. But, we must be sure that each State can see that it will be receiving benefits from diverted resources going into a balanced growth effort by the Federal agencies.

To achieve actual citizen, local, and State involvement in developing a successful strategy for balanced growth, it may be very necessary to phase out all or most categorical grants and replace them with revenue sharing. Otherwise, there will be very little opportunity for meaningful citizen and partnership involvement aimed at balanced growth.

On Tuesday of this week. September 7, an organization called Coalition for Rural America, Inc., was formed. I am privileged to serve first as cofounder and now as its president. For several years, advocates of rural development have been increasingly aware of the need for creating an active nationwide public interest group to promote the interests of rural areas, including the agricultural communities and small towns and cities lying outside the country's metropolitan areas. Now there appears to be a high probability that such an organization can be successfully launched. The climate of national opinion is extremely favorable for several reasons:

First, the plight of the cities. Efforts to "save our cities," so bravely begun in the mid-sixties, do not seem to be making great headway. What is commonly referred to as the "urban crisis" is deepening.

Presidential interest: President Nixon has declared that a national objective must be not only to "stem the migration to urban centers but reverse it."

Congressional interest: The Congress last year formally committed itself in a statutory declaration of policy to "a sound balance between rural and urban America" and declared "the highest priority must be given to the revitalization and development of rural areas."

Developing national consensus: The National Governor's Conference, the National League of Cities, the National Urban Coalition, and many other groups with broad national interests have endorsed rural development as part of their programs. Both major political parties endorsed the objective in their 1968 platforms. The Coalition for Rural America is committed to the objective of "balanced national growth" in the United States. It recognizes that achievement of a higher standard of living and an improvement in the quality of life for all Americans, whether they live in our large cities or our countryside, can only be achieved through the pursuit of such a policy.

The coalition shall pursue its objectives by serving as a spokesman for rural America in the nations councils. It is a public advocate and public educator, and it seeks to mobilize in a common effort all the many national, regional, State, and local organizations and individuals that share its goal.

The principal functions of the Coalition for Rural America are advocacy of rural America's interests at several levels: (*a*) Before congressional committees and in the halls of Congress, (*b*) to Federal agencies and officials, including the President, Office of Management and Budget, and individual agencies, (*c*) to regional, State, and local governmental bodies of sufficient scope and importance, (*d*) to private organizations, including foundations, corporations, and other groups in a position to affect the interests of rural America, and (*e*) to candidates for public office starting with the President.

In the immediate support of our broad purpose of advocating legislation of benefit to rural America, we have adopted three legislative objectives:

1. In the consideration of President Nixon's proposal for establishment of an investment tax credit, we will support amendments that will provide a differential in favor of enterprises that are located in rural areas that employ chronically underemployed and unemployed. Tax legislation will be the central item on the agenda of Congress this fall. For years those who have advocated nonmetropolitan development have argued that the quickest and surest way to steer private investment into those areas is through tax incentives. If ever there was a time to establish the principle of a differential tax incentive for investment in nonmetropolitan areas, it is this fall when the Congress will be considering the President's proposal for an investment credit for industry in general.

2. We will support measures to improve the availability of credit financing in rural areas for nonagricultural enterprises, public facilities and housing as well as agriculture. There are measures before Congress including S. 2223, sponsored by Senater Humphrey and others with amendments by Senater Pearson of Kansas, on which hearings will be held soon. This, too, is an area of consensus. Every program for nonmetropolitan development that I have seen acknowledges that development will not take place without an improvement in the availability of credit. Nonagricultral enterprises in rural areas are at a disadvantage in tapping the money markets of the Nation. This will provide the linkage between rural areas and those money markets. The need of agriculture was recognized a century ago when the farm credit system was established. Now we should recognize the corresponding need for nonag[illegible]l credit.

3. During consideration of [illegible]nsion of the Public Works and Economic Development Act, w[illegible]rt amendments to provide for the establishment of econom[illegible]ent districts throughout rural America and to provide noncat[illegible]cal funds for the execution of approved development plans. We believe the act needs to be broadened, strengthened, simplified, and some of the concept of President Nixon's revenue-sharing program which would remove some of the categorical restrictions on the use of Federal funds worked in.

In the immediate future, we will be focusing on the three above priorities. This does not mean that the other problems are not sufficiently important to warrant our attention. This includes transportation, farm programs, agricultural research, rural housing, education at all levels, medical service, and the delivery system for those services, welfare reform, and the list goes on.

It is realistic to state that efforts toward rural development have fallen far short of the intended goal, and for a variety of reasons. It is my judgment that the major reason for failure is that we have overlooked the basic fact that rural development will not succeed until we have a prosperous, profitable agriculture. Then, and only then, will rural development occur with any degree of success.

In order for this to happen, two things must occur.

1. Any farm program involving the use of support prices should have those prices sufficiently high so as to be both profitable and realistic and readjusted each year based on the cost-of-living index or some other economic indicator that reflects increased cost of production. The farmer is hit harder by inflation than any other segment of our society and he is the only one who buys at retail and sells wholesale.

2. In Nebraska, as in many rural States, we see our feed grain shipped out, feeder stock follows it, and the process completed outside our borders. This is both inefficient and self-defeating.

Our farmers should be encouraged to utilize feed grains where they are raised and to increase that production. To accomplish this, long-term low-cost credit should be made available for capital improvement purposes. By this, I mean irrigation equipment, land renovation, buildings, grain storage, et cetera. Fullest utilization of the existing credit facilities should be made and a link to the money centers established. I propose a fully Government guaranteed loan to be extended by commercial banks, investment banks, or private investors. The security to be tax exempt and treated by the banks as an investment and not as part of the loan portfolio. This concept could include the organizing of larger irrigation districts and the securities sold to bankers, public institutions and private investors. Or a single farmer could get irrigation financing instead of belonging to some irrigation district. The plan is flexible, efficient, low cost, and utilizes private enterprise. And I should depart from my text and suggest that a couple of simple amendments to the Industrial Development Bond Act would accomplish this same thing.

Finally, anyone who is genuinely interested in the agriculture problem and the farmer must also favor the removal of personal property taxes from agricultural and business inventories.

There are arguments that can be made against my proposals but I would remind those that take issue that the most important person in our society is the food producer. If this country loses its ability to produce food, this Nation will turn "belly-up" and all of our grand schemes for world leadership, social programs, and space exploration will become hollow and useless and the great American dream will vanish.

The case can be made that we are subsidizing inefficiency. Perhaps so, but better that than add that person to the growing welfare roles in our blighted cities. At the least we are selecting the minimum problem.

I offer this testimony in some hope of establishing a basis for profitable agriculture and rural development. These two are tied irrevocably and cannot be separated. Thank you for giving me this opportunity to present this testimony.

Thank you very much. [Applause.]

Senator CURTIS (now presiding). Governor Tiemann, we thank you for a very thorough and splendid statement. I shall have a few questions but first, I shall turn to Senator Bellmon.

Senator BELLMON. Thank you, Mr. Chairman.

I want to compliment you, Governor Tiemann, on the thought that has obviously gone into your statement and also for the initiative you have shown in assuming the presidency of the Rural Coalition. I feel rural America has very badly needed spokesmen and hopefully your group will help fill this void.

I would like to ask a couple of specific questions. On page 8 you make reference to President Nixon's revenue-sharing program which would remove some of the categorical restrictions on the use of Federal funds. I am for this concept but I am a little bit at a loss to know, and perhaps you can tell me, how the revenue-sharing program would really help rural development.

The reason I ask the question is that most of the funds that go to rural America presently go for such things as Soil Conservation Service, for the Extension Service, the so-called REEP program, used to be ASCS, and programs like that.

Do you anticipate that this money which would come back as shared revenue would still go for those programs and if you do, then how would this really change anything?

Mr. TIEMANN. I think essentially what I am saying here, and I painted this with a sufficiently broad brush to be all-inclusive, that is the matter of categorical grants has gotten us into substantial difficulties as time goes on. Those particular programs, Senator Bellmon, that you indicate we have not been in difficulty on but we have some others. It seems to me, as indicated in the third objective of our program for the rural coalition; the amendments to the EDA program which would include then, instead of categorical grants, the revenue-sharing programs would remove those restrictions and those funds extended by those at the local level would have the best knowledge of how those funds, in my judgment, are to be spent or utilized in that area.

As to specific programs, at the moment the EDA programs are pretty well spelled out. What I am saying here is that they should be simplified and made a good deal more flexible and some of the provisions of the President's revenue-sharing program which in effect would remove the categorical restrictions.

Senator BELLMON. But there is also a need for additional funds. Would you agree or not?

Mr. TIEMANN. Yes; I would agree.

Senator BELLMON. Just the same amount of money maintaining generally some of the same programs, I am afraid, would not get much progress.

I am also very intrigued by your proposal that we have a—you mention this on page 10—a fully Government guaranteed loan to be extended by commercial banks, investment banks or private investors. This is in connection with your recommendation that we have more funds available for irrigation equipment, land irrigation, buildings, more long-range agricultural credits. This would be a loan program in addition, of course, to PCA and FHA, among others.

Mr. TIEMANN. Right.

Senator BELLMON. Could you be a little more specific? How would such a program be administered?

Mr. TIEMANN. Well, what I am attempting to do here, as I indicated earlier, Senator, is to provide this particular vehicle as the linkage between the central money markets and rural areas which to some degree exists yet but not sufficiently. What I have suggested here is that banks now simply will not make a long-range loan for capital improvement because of the banking regulations or inflexible lending policy. Nevertheless, they would be willing to take their investable cash and put that in an investment, which is what this in effect would be, so that they then would not circumvent the banking regulations but at least they would be able to use their money as an investment rather than a loan, so that they could go long term.

Now, necessarily for the sake of simplification, and talking only about the banks, would not preclude, say, two or three counties becoming an irrigation district as an example, those securities sold by investment banking syndicates to anybody in the world who wanted to buy those securities. They would of necessity be lower rated and the only way they could be lower rated is twofold. One, Government guaranteed, and second, tax exempt. Then we would be able to tap the central money markets, the private investor, and that money flow into the capital deficient areas which now exist and hamper production at least in most of the midwestern areas.

We have got great areas in our State that only for the sake of some water we would be able to increase our production and increase our livestock production, and processing of those livestock products would take place in those areas. Now, in Nebraska we ship out about half our feed grains, about half our feeder livestock, and the processing is done in some other States also and that is inefficient and simply is self-defeating, as I indicated.

Now, in my side comments, I indicated that the IDA bonds, Industrial Development Act, could be amended sufficiently to include these very provisions, which is essentially what it is now, Senator Curtis. I think there we would have to, of course, increase the maximum which is now $5 million—we talked about that earlier—and I think there is some legislation already introduced and also tax exempt provisions must also be retained. That could be done very simply and very easily.

I guess in essence when I was talking around in a circle, here and I do not mean to, what I am saying is that the money centers are over here and we are over here where the money is needed.

Senator BELLMON. I also want to compliment you for your pointing out that sort of double standard that the Federal Government has in its treatment of loans by the Farmers Home Administration and loans by HUD. We were told yesterday that there is a very different set of standards applied to rural housing as compared to urban housing, and I hope that the rural coalition you head will go into that matter and help us see that rural people get at least a fair shake out of their own Government. To me it is ridiculous when we have this kind of discrimination.

Again, Governor, I compliment you on your statement and thank you for your appearance here.

Mr. TIEMANN. Thank you.

Senator CURTIS. Governor, I would like to mention two or three things about your statement. There are many things which are very helpful.

First, in your leadership in helping establish the Coalition for Rural America, this is no small contribution. When rural America alone speaks up for rural America, it is apt to be regarded as a self-serving or selfish statement. Whenever we can get a broad-based organization representing many facets of our economy and many groups, then it takes on a position national in scope. I think it then attracts a great deal more attention not only in the Congress, but with the general public. I want to commend you for it.

I would like to ask you, Do you feel that the private sector has an important place in industrial development in the rural areas?

Mr. TIEMANN. Without question. As I indicated earlier, this whole matter of rural development will not get off the ground without the private sector's total commitment. It has to happen.

Now, I suppose that best can be categorized not only with the tax incentive that I indicated, which would be a Government prod to private industry where you utilize private funds for the building of new trade, but more importantly, industry already in existence is spending. This is the great untapped resource we found in our drive, in my administration, our drive for industrial development, that we created all sorts of new jobs simply by expanding the existing business.

Senator CURTIS. Yes; and is it not true that in many of our small towns and cities, there have been successful efforts in creating a new industry that was brought about almost solely because of the ingenuity of the local banker and other leading citizens having faith in an idea or faith in a man who had an idea. Is that not correct?

Mr. TIEMANN. This is exactly right. Usually in all of our rural areas, having lived in one practically all my life, a banker who is a leader can make the whole community grow and turn around if it is on its way to decay, or a cattle feeder or farmer or lawyer. This is private initiative. What we are saying here is with the rural coalition, we want to help these people do this very thing.

Senator CURTIS. I think that is important, particularly if we ever hope to reach a great number of rural areas, because Government programs at best have to be uniform throughout our States, and that means that they become sort of rigid and standardized. It is hard for them to be innovative.

I do not want to overwork one illustration, but I mentioned a bit ago about a Nebraska city that has developed an industry of making flavored toothpicks, that is employing 40 people, and incidentally, they do quite an export business. I do not think that any Government research, any Government programs, or any national growth planning, probably would ever have come up with the idea that we ought to make flavored toothpicks in McCook, Nebr. It resulted from the ingenuity of an individual. And that is one thing that the private sector is more flexible to move in and help.

Mr. TIEMANN. This is right. Only one additional example to that in which private initiative is helping solve a tremendous problem. That is, I have been instrumental along with others in going to several States and changing the industrial development bond law so that industrial development bonds can be used for pollution abatement control equipment. Here we are tapping the private sources for pollution control, which is a monumental problem, instead of using Federal funds. It is being done and done successfully in many States.

Senator CURTIS. Now, I have had no knowledge or experience in the banking business, but I was intrigued by the testimony offered to us yesterday in the State of Oklahoma. A country banker pointed out that he oftentimes would like to make a loan to back some small industry in his community, but that under the banking regulations, the loan would be regarded as substandard and he would have problems. The examiner would not allow it. And he suggested that the law be changed with respect to national banks, that would permit a small percentage of their funds available for lending, be permitted to be loaned as risk capital for industrial development in the rural areas.

His point was not that they would make bad loans, but that the bank would make loans and the banker would give the necessary supervision and leadership, and it would just inject enough liberality so that they would not be subject to the same rigid requirements of other types of loans. Do you think that is worth exploring?

Mr. TIEMANN. We do have a solution for that very thing in Nebraska. During my administration, the legislature passed the Business Development Corporation Act, which in essence pools the funds of banks, insurance companies, utilities, private industry of all sorts, into a loan fund, and this money then is loaned out to businesses that are considered high risk, that any conventional lending organization would not make a loan to. It is low interest, long term.

This is just now underway, and we can get some additional information to you on that. It has thus far worked amazingly well. Again, these are loans that no bank would ever touch with anything.

The only other solution, in the absence of a business development corporation, is this thing that you talk about, being completely legal. If I could draw on my own personal experiences as a country banker for 15 years, we made those same types of loans, and we disregarded the comments of the examiner. Now, that is a risky business, but they got used to it.

Senator CURTIS. But if it is a direct transaction between borrower and bank, the bank is going to want the business to succeed.

Mr. TIEMANN. Without question.

Senator CURTIS. But that he should have some category of lending capacity to meet that particular need as contrasted to the so-called conventional.

Mr. TIEMANN. Right. I think this could be set up as a separate part of the loan portfolio. Those funds could be earmarked in the accounting of that bank, and if they made money, fine. If they did not, you would then have this reserve to charge it off against.

Senator CURTIS. In your experience as a country banker as well as a public official, do you feel this State has gone as far as it can in using its own agricultural production either for further processing or in the case of livestock, in further livestock feeding?

Mr. TIEMANN. No. We have barely scraped the surface in Nebraska. I have said many, many times the State of Nebraska has the greatest potential of food production of any State in this Nation. We simply have not taken advantage of it because of a lack of leadership somewhere along the line.

We have always said we have got to keep our young people at home, keep our cattle at home, keep our grain at home; and we see more going out at the same time. I don't mean to categorize them in the same class but for the sake of argument here today I think it is all right. If we could get the proper financing for our irrigation acres that we need; if we can get the proper financing for grain storage, for land renovation—the plan I suggested here would do that—then all of these feed grains that we have could be utilized locally either by milling process or feed to livestock and the livestock then processed here, creation of jobs. We have been involved since I have been in the investment banking business in financing several meat-processing firms. In fact, one of the biggest cattle slaughterers in the world is placed here in Nebraska, and the big problem they have now, they can find no cattle to kill in their immediate area. We have got the processing capacity here. All we need is the increased grain producing capacity. None of this will happen without money.

Senator CURTIS. Do you think the private sector has gone as far as it can——

Mr. TIEMANN. No.

Senator CURTIS (continuing). Zeroing in right on the one specific thing of cattlefeed?

Mr. TIEMANN. No. The private sector has not done as much as it can. We find also, and I guess I am going to have to be rather critical of my friends, the commercial bankers, in which we find time after time in the country banks a completely inflexible loan policy where the bank gets to a 35 or 40 or 45 percent loan deposit ratio and the banker says I am not going to loan any more money to any of my customers because in 1932, remember the banks went down.

Well, we cannot bank or do business based on what happened in 1932. I think it is completely realistic for bankers, commercial bankers, to readjust their thinking and I am pleased to report that they have readjusted their thinking to some degree. We see now the traditional 30 percent loan deposit ratio banks appear at maybe 45. It is still way too low but it is a lot better than it was. I guess in answer to your question, definitely the private sector has much more to do.

Senator CURTIS. I have often stated that I am sorry we cannot spend 2 days in each one of these States. I have a stack of statements that are going to be put in the record, of people who will not have the opportunity to testify at all.

Anything you would like to say? Thank you very, very much for a splendid contribution. [Applause.]

Our next witness will be Mr. Bennett Martin. But first, we will take a 5-minute recess.

(A recess was taken.)

Senator CURTIS. The committee will come to order.

We are privileged to hear Mr. Bennett S. Martin, Chairman of the statewide Advisory Committee to the Department of Economic Development, State of Nebraska.

Mr. Martin, we welcome you. We will be delighted to hear your statement.

STATEMENT OF BENNETT S. MARTIN, CHAIRMAN, STATEWIDE ADVISORY COMMITTEE TO THE NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT, LINCOLN, NEBR.

Mr. MARTIN. Senator Curtis, Senator Bellmon, I want to address my few remarks to the Subcommittee of the Industrial Development Revenue Boards.

Nebraska's industrial bond legislation was brought into being some 12 years ago when my good friend, the late Nathan Gold, was chairman of the Advisory Committee to what was then the division of resources of the Nebraska Department of Agriculture. Through the tireless efforts of Nate Gold who was keenly aware of the necessity for balancing our predominantly agricultural economy with industry, the Nebraska voters approved a constitutional amendment and the legislature passed the enabling statute which permitted our cities and counties to issue these bonds to provide capital funds for manufacturing and industrial concerns.

We do not have substantial financial resources in this State in comparison to more populous States wherein the large financial centers of this country are located. Experience has taught us that it was essential to attract investment capital from these financial centers in addition to mobilizing our own capital resources within the State. Industrial development revenue bonds have provided this vehicle and over the last decade we have had 81 issues of industrial development revenue bonds in 32 municipalities of Nebraska which have provided a total of $121,503,550 for new manufacturing and industrial plants and equipment. These issues have resulted in the creation of 9,425 new jobs.

Industrial development revenue bonds, or IDA bonds as they are popularly referred to, do not involve any commitment of taxpayers' dollars but are retired solely out of the lease rentals paid by the lessee company. Likewise, the municipalities are not encumbered with any administrative headaches because these issues normally utilize banks as trustees who handle collection of the rentals and payment of the principal and interest on the bonds and see to the enforcement of all lease covenants. Even though title to the property financed is held by the municipality for the duration of the bond issue, our Nebraska law provides that the lessee company pays local property taxes the same as any other industry.

The advantages to the lessee company are: (1) a lower effective cost of financing because of the interest on the bonds is free from Federal and State income taxes; (2) 100 percent financing of land, plant, and equipment and financing costs; (3) lower expense of financing by reason of the fact that issuance of the bonds does not require registration with the Securities and Exchange Commission or qualification under State blue sky laws; (4) less time required to complete the financing because of the freedom from burdensome and unnecessary governmental regulations.

The cost to the Federal Government is the amount of Federal tax revenues which would have been paid were the interest on the bonds subject to taxation. However, I believe it can be demonstrated quite convincingly that the overall economic stimulus which this financing provides generates corporate and individual tax revenues to the Federal and State governments which are far in excess of the tax revenues lost by reason of the exemption of interest. But even more important, I think, is the fact that this is a proven financing tool, operating in the private sector without necessity of Government administration, which has provided this State with numerous new, expanded and improved manufacturing, and industrial facilities which, in turn, have provided employment opportunities at home for our young people and surplus farm labor.

It is a fact of life that modern mechanized agriculture requires fewer and fewer people to achieve greater and greater productive output. If there are not employment opportunities available this surplus farm labor along with youth emerging from our high schools, colleges and universities, and the returning Vietnam veterans will turn away from their home State of necessity and join the pattern of migration to the larger metropolitan areas of this country. We have demonstrated in the last decade that we can stem this tide of outmigration and with increased economic opportunity I think it can be reversed.

About 3 years ago the U.S. Treasury Department sought to eliminate the tax exemption on industrial development revenue bonds by administrative ruling. Through the efforts of many distinguished Senators and Congressmen, including our own Senator Carl T. Curtis of Nebraska, this attempt was thwarted, but through legislative compromise a $1 million limitation was placed on tax exempt IDA bonds with the result that little more than the principle of industrial revenue financing was saved.

Knowing the importance of this proven investment vehicle to the broadening of our economic base, Senator Curtis and others succeeded in increasing this limitation to $5 million at the time the Revenue and Expenditures Control Act was adopted in 1968.

However, in conference this $5 million limitation was effectively reduced by imposing a requirement that all capital expenditures within the municipality by the lessee company for 3 years preceding the bond issue and 3 years subsequent to the bond issue must be included in determining whether such limitation has been exceeded.

The consequence of exceeding the limitation is to subject the bonds to taxation. Due to the uncertainty of future capital requirements for a 3-year-period, companies utilizing industrial bonds must leave themselves a substantial margin. The "3 years future" provision also penalizes the successful company who finds it necessary to expand its operations within this period.

Actually, the inflationary spiral, particularly in construction and heavy equipment costs, has further reduced the effective scope of availability of this financing for new plant and equipment.

There are several bills pending in the U.S. Senate and House of Representatives which would increase the small issue exemption for industrial development revenue bonds from $5 million to $10 million. These include H.R. 4752, introduced by Congressman Shriver on February 2, 1971; S. 1644, introduced by Senator Dole on April 23, 1971; and H.R. 8346 introduced by Congressman Thone of the First District of Nebraska on May 12, 1971.

I would urge this subcommittee to embrace, as part of its program for the revitalization of rural America, this proposed increase in the limitation of tax-exempt industrial development revenue bonds to $10 million. I am certain that this move would substantially strengthen not only the incentive for industrial and agribusiness expansion in rural America, but would also provide an influx of long-term investment capital which is necessary to create the broader economic opportunities for our citizens which we all seek. This would also complement the President's new economic program which emphasizes new plant construction and modernization of existing facilities. If the experience of the last decade is any indicator, we can expect that many of the new plants so financed would complement our agricultural economy by providing processing plants for our agricultural commodities, thus increasing the economic benefits derived in this State from our own agricultural products.

I have attached to this statement a table showing the industrial development revenue bond issues which have been concluded in Nebraska since the inception of our enabling legislation. The information contained in such table is proof, I believe, of the worth of this program in social as well as economic terms.

(The table is as follows:)

NEBRASKA INDUSTRIAL DEVELOPMENT ACT BOND ISSUES

Issuing authority	Amount of issue	Date	Lessee	Estimated employment
1. City of Auburn	$240,000	Sept. 1, 1962	Magnolia Metal Co	50
2. County of Lancaster	1,750,000	Dec. 1, 1962	Victor Comptometer Corp	450
3. County of Lancaster	3,000,000	Dec. 15, 1962	The Wander Co., a Delaware Corp. (Dorsey Laboratories Div.).	300
4. County of Lancaster	750,000	Dec. 28, 1962	Brunswick Corp	175
5. City of Gordon	260,400	Feb. 15, 1963	Ideal Super Markets, Inc	10
6. City of Lincoln	1,750,000	Mar. 1, 1963	The Fleming Co	140
7. City of Auburn	300,000	Apr. 1, 1963	WoodCarv, Inc. (guaranteed by its parent, Nutone, Inc.).	70
8. City of Norfolk	500,000	Apr. 15, 1963	Henningsen Foods, Inc	50
9. County of Gage	1,000,000	Oct. 1, 1963	Dempster Mill Manufacturing Co	200
10. City of Blair	300,000	Dec. 1, 1963	Blair Manufacturing Co	100
11. City of Norfolk	400,000	Jan. 1, 1964	Nuclear Corp of America	150
12. City of Fremont	7,000,000	May 1, 1964	Fel-Tex, Inc	50
13. City of Grand Island	3,400,000	Apr. 1, 1964	Swift & Co	125
14. County of Lancaster	650,000	Sept. 1, 1964	Hy-Gain Electronics Corp	50
15. County of Douglas	5,400,000	Dec. 1, 1964	Fruehauf Corp	825
16. City of Hastings	245,000	do	Snyder Packing Co	20
17. County of Douglas	1,800,000	Jan. 1, 1965	American Community Stores Corp. (Hinky Dinky).	275
18. County of Lancaster	850,000	do	Pegler & Co	100
19 City of Gordon	150,150	June 1, 1965	Ideal Super Market, Inc	10
20. City of Columbus	360,000	July 15, 1965	Douglas & Lomason Co	125
21. County of Dakota	8,500,000	Aug. 1, 1965	Iowa Beef Packers, Inc	950
22. City of Auburn	275,000	Sept. 15, 1965	WoodCarv, Inc. (Nutone, Inc.)	15
23. County of Douglas	700,000	do	Table Supply Meat Co	75
24. County of Platte	1,000,000	Nov. 1, 1965	Behlen Manufacturing Co	100
25. County of Douglas	1,000,000	Dec. 1, 1965	Lozier Corp	100
26. City of Ogallala	307,000	Jan. 1, 1966	TRW, Inc	800
27. County of Douglas	200,000	Jan. 15, 1966	Electrified Pure Water	10
28. City of Alliance	700,000	Mar. 1, 1966	True Temper Corp	35
29. County of Douglas	600,000	May 1, 1966	Omsteel Industries, Inc	500
30. County of Douglas	3,000,000	June 1, 1966	J. L. Brandeis	225
31 County of Douglas	3,500,000	do	Nashua Corp	50
32 City of Overton	215,000	July 1, 9166	Plectron, Inc	125
33 County of Douglas	525,000	Aug 1, 1966	Tip-Top Products, Inc	50

NEBRASKA INDUSTRIAL DEVELOPMENT ACT BOND ISSUES—Continued

Issuing authority	Amount of issue	Date	Lessee	Estimated employment
34 County of Dakota	900,000	do	O A Cooper Co	25
35 City of Millard	400,000	Sept 1, 1966	Pamida Distributors, Inc	150
36 City of David City	300,000	Oct 15, 1966	Nebraska Egg & Poultry	25
37 County of Douglas	750,000	Nov 1, 1966	Omaha Couch & Bedding	65
38 County of Colfax	5,000,000	Mar 1, 1967	Spencer Packing Co	200
39 County of Douglas	3,000,000	Apr 1, 1967	Malnove Specialty Box Co	25
40 City of Columbus	250,000	May 1, 1967	Douglas & Lomason Co	25
41 County of Lancaster	5,000,000	June 1, 1967	Archer-Daniels-Midland	60
42 County of Douglas	12,500,000	July 1, 1967	Control Data Corp	450
43 County of Lancaster	2,000,000	Nov 1, 1967	Ralston-Purina Co	20
44 County of Lancaster	485,000	Nov 15, 1967	Instrumentation Specialties, Inc	75
45 City of Columbus	225,000	Dec 1, 1967	Douglas & Lomason Co	20
46 City of West Point	4,500,000	Mar 1, 1968	Iowa Beef Packers, Inc	250
47 City of Fremont	600,000	Mar 15, 1968	Farmers Regional Co-op	15
48 County of Douglas	225,000	do	Pamida Distributors, Inc	25
49 City of Grand Island	3,000,000	Apr 1, 1968	Swift & Co	125
50 County of Douglas	3,000,000	June 1, 1968	Nashua Corp	50
51 City of Gering	1,500,000	Sept 1, 1968	Lockwood Corp	25
52. City of Falls City	500,000	Oct. 15, 1968	Commodore Corp	25
53. County of Douglas	200,000	Nov. 1, 1968	Farmhand Co	25
54. County of Douglas	1,000,000	do	Needham Packing Co	75
55. County of Lancaster	5,000,000	do	Archer-Daniels-Midland	35
56. County of Platte	1,000,000	do	Behlen Manufacturing Co	30
57. City of Venango	400,000	Nov. 15, 1968	Dudden Corp	20
58. City of Columbus	120,000	Dec. 1, 1968	Douglas-Lomason Corp	25
59. County of Douglas	2,000,000	Dec. 15, 1968	Lozier Corp	300
60. County of Lancaster	500,000	Feb. 1, 1969	Brunswick Corp	50
61. City of Norflok	600,000	June 1, 1969	General Warehouse Corp	15
62. County of Douglas	500,000	June 15, 1969	Central States Tool & Die Works	10
63. County of Douglas	600,000	Aug. 14, 1969	Pacesetter Products, Inc	25
64. County of Douglas	450,000	Aug. 20, 1969	Geisler Pet Products	20
65. City of Fremont	190,000	Nov. 1, 1969	Jayhawk Boxes	15
66. City of West Point	325,000	Dec. 15, 1969	Wimmer Meat Products, Inc	20
67. County of Douglas	1,700,000	Jan. 1, 1970	Data Documents, Inc	20
68. County of Lancaster	2,000,000	Jan. 15, 1970	Republic Corp	70
69. City of Overton	130,000	Feb. 1, 1970	Plectron Corp	15
70. County of Adams	400,000	Feb. 15, 1970	Western Plastics Corp	35
71. County of Lancaster	2,500,000	Apr. 15, 1970	Republic Corp	100
72. County of Sarpy	631,000	May 1, 1970	Uneco, Inc	25
73. County of Douglas	350,000	Sept. 15, 1970	Data Documents, Inc	50
74. County of Garden	425,000	Nov. 1, 1970	Midwec Corp	55
75. County of Douglas	900,000	Mar. 15, 1917	Pamida Distributors, Inc	50
76. County of Douglas	1,000,000	Apr. 1, 1971	American Community Stores	50
77. County of Douglas	1,000,000	May 1, 1971	Richman-Gordman Stores, Inc	50
78. County of Douglas	550,000	do	Builders Supply Co	50
79. County of Lancaster	1,000,000	July 1, 1971	Burlington Northern	50
80. City of McCook	1,000,000	do	Electric Hose & Rubber Co	100
81. City of Nebraska City	270,000	Aug. 16, 1971	Nebraska Outerwear	75
Total	121,503,550			9,425

Note: When IDA bonds were used to finance an expansion, the estimated employment indicates the number of new jobs created due to the expansion.

On behalf of the advisory committee to the Nebraska Department of Economic Development, I wish to thank you for your thoughtful consideration.

Senator CURTIS. Senator Bellmon?

Senator BELLMON. Thank you, Mr. Chairman.

Mr. Martin——

Mr. MARTIN. I apologize for rushing through this but I know you are running late.

Senator BELLMON. Mr. Martin, this is a very fine statement you have given us. You have outlined a program that is obviously very helpful. We have a similar one in Oklahoma, as I am sure you know.

Mr. MARTIN. That is right.

Senator BELLMON. And it has certainly helped many of our communities to bring in new plants and provide new jobs for people.

I would like to ask a couple of questions more for the record than anything else.

The first one is, in your judgment and in your experience does this industrial development bond approach give an unfair competitive advantage to a new company as compared to an older, established business?

Mr. MARTIN. No, I don't think it does. I think that—the fact of the matter is that it keeps for the older companies—in many instances it helps maintain their labor market because a lot of the employment in these new industrial issues that are brought out, some of them are older companies that are expanded, by the way, home companies you might call them, and there have been a lot of those that have used this in the State of Nebraska, not only the new ones coming in but the ones that are wanting to expand that are here. It gives them a better market for labor and we do have good labor here as your State has and others surrounding us, and I am sure you will find in your State, Senator, that when an industry expands or a new one comes in through these industrial bonds, or IDA's as we call them, you will find that the farmers and the working people oftentimes supplement to a large extent during drought periods and all their income with work in these plants.

So we have not experienced in this any resentment or feeling anyplace along the line, local companies, to any great degree. In fact, some of them as I have just mentioned have used it to expand their own facilities.

We have felt that the limit has been too low. A great many of the States do not agree with the Middle Western States such as yours, Kansas, and all, because they would like a larger issue, much, much larger, but when we got into checking it and your groups in Washington got to checking it, they found that there weren't many people employed—it went up to $50 or $100 million in some types of industry. But I think as far as the groups that your committee is trying to understand here in rural America, is the fact that these smaller industries under these can finance themselves easier with the lower rate and as ex-Governor Tiemann has just mentioned, many banks in these communities are not interested, or haven't been up to now, and if they were they wouldn't know how to set them up so they would have proper credit.

As you understand it, I am sure, and as I tried to explain it, this is no obligation of any municipality as far as guaranteeing it is concerned. You have to go on the credit of the companies issuing the industrial development bonds.

Senator BELLMON. Would you favor, in case we were to succeed in getting this limit raised from $5 to $10 million, would you favor a provision that would limit the use of these industrial development bonds to communities of some size, say 50,000 or down?

Mr. MARTIN. No; I think that the cities, I mean, if you go above 50,000, there are some advantages in people increasing the operations and many times I think it should be adapted, you know, as far as the program itself is concerned, to the smaller communities. That is what we are trying to help.

But there are a number of—you take, for example, in some of our industrial revenue bonds, they have been extremely helpful, if you will notice on the last pages there, to cities the size of Omaha and Lincoln, and going back to the Governor's—ex-Governor's statement here, on this Iowa beef and these processing plants, of course, they are out in the rural areas, for storage and maybe some processing on certain types of warehousing and all, because of connections into the cities and their markets--they like to be within the city.

We have studied this a long time. As Senator Carl Curtis here knows, we have had probably dozens and dozens of discussions with Wilbur Mills and his committee and you name it, and we have been under it for a number of years trying to get where we are now.

I would think that the best help we could get for the small rural areas, towns, so to speak, or smaller, that if the limit were raised and we did not have the fact that they were handicapped by a 3-year extension at times for anything above that amount, it would be of most advantage to the Middle Western States.

When I say Middle West, I am talking about all rural but I think this was introduced mostly and promoted here to this extent by, as you know, Carl, by the States here, and Kansas, Iowa, and all that were having problems taking care of industries that are moving away from the larger centers.

Senator BELLMON. I notice in this list of issue authorities that you have given us, and I have only gone over it quickly, that only one issue has been made by the city of Lincoln and none by the city of Omaha?

Mr. MARTIN. When you see that you get into Douglas County. In some issues Douglas County may have issued the bond for a situation that was going into Omaha.

We made one slip-up in this report. I think to have its full effect on the type of cities and where it was used, we should have listed the towns where these plants were located and probably the population of the town.

Senator BELLMON. It seems to me in the larger cities you already have a concentration of capital. The bigger banks are there and it strikes me that they should be able to handle the financing for their own industry. I really feel at least so far as this committee's work is concerned that it would be helpful in helping to bring about a more balanced growth if we could limit the use of this kind of financing to the smaller areas which are at a great disadvantage since they do not have the access to capital through the regular money markets, but that is a difference of opinion.

I have no further questions.

Senator CURTIS. Mr. Martin, we do feel that you have a very fine statement and because of the pressure of time I am going to ask just one question.

This program has brought 9,425 new jobs to Nebraska. This has been done without any Federal appropriation. It has been done without creating any new agencies on the part of the Federal or State government.

Do you think very many of these jobs would have come into being if it had not been for this industrial bond program?

Mr. MARTIN. I do not believe——

Senator CURTIS. Probably some of them would but for the most part they would not?

Mr. MARTIN. You take these jobs, of course, they are new jobs and, of course, the income that comes into the farmers, and that is what you are talking about here, where you find them in this area. As you know, Carl, a lot of the farm population are working part time in the industrial plants in the neighboring towns. I know of one town here that has got employment in a plant of about 1,200 to 1,400 at the present time and the population I assume is around 10,000 or 12,000, maybe a little larger than that, but they draw from 50 or 75 miles radius and a great many on temporary roads, you might say, not even paved roads as far as the interstate type is concerned, that are commuting back and forth.

Some of the plants employ women; some of the plants employ men. In a few of these cities there is a plant that is mostly men and some women and they join hands in their factories occupying jobs in order to supplement the low farm income that they have had, and we feel in the towns that are represented in our department that knows the type of industries that it has held not only good jobs for a lot of people but it has held our population and it has made for very good manufacturing. Employment here as in other States is very satisfactory.

Senator CURTIS. Thank you very much.

Senator CURTIS. We will now call Mr. Glen Soukup and the witnesses that are with him.

Mr. Soukup, first if you will state for the record your official title and then explain also for the record the group that is with you.

STATEMENT OF GLEN SOUKUP, DIRECTOR, NEBRASKA TECHNICAL ASSISTANCE AGENCY, LINCOLN, NEBR.

Mr. SOUKUP. I am Glen Soukup, director of the Nebraska Technical Assistance Agency, part of the Executive Office of the Governor. It is a charge of my agency to coordinate all the programs of the State for the economically disadvantaged. The eight people with me are representatives of eight rural community action agencies in the State of Nebraska. I will submit——

Senator CURTIS. You are a State employee?

Mr. SOUKUP. Yes.

Senator CURTIS. And the community action programs are part of the OEO, is that right?

Mr. SOUKUP. Well, they receive funds from several sources. OEO is usually one. The Department of Labor, et cetera.

Senator CURTIS. Go ahead. How many of them will be making a statement?

Mr. SOUKUP. Well, the agreement that was reached with the committee staff members is that I would make a statement and then—a short statement and then we would have an open discussion so that you could ask some questions. They are the people actually out on the firing line in the State trying to deal with the local problems of rural Nebraska on a day-by-day basis.

Senator CURTIS. Perhaps at this time it would be helpful to the reporter to start over there one at a time and give your name and what group you represent. As I understand it, you were selected by these agencies; is that correct?

The first one—please stand up and give the reporter your name and tell her what you represent.

Mr. **Wefso.** Fred Wefso, Rushville, Nebr., representing the Northwest Nebraska Community Action Council at Chadron.

Mr. **Arringdale.** Allen Arringdale from the Nebraska Panhandle Community Action Agency, Gering; executive director.

Mr. **Catherall.** Robert Catherall, executive director, Blue Valley Community Action, Fairbury.

Mrs. **Kennedy.** Jacqueline Kennedy, and I am Secretary to the board of directors of the Goldenrod Hills Community Action Council, in Walthill, Nebr.

Mr. **Mesner.** I am Kenneth Mesner and I represent the board of directors of the Platte Valley Community Action, Grand Island.

Mr. **Collins.** Ernest Collins, chairman of the board, Central Nebraska Community Action, Loup City.

Mr. **Field.** I am Bradley Field, from Humboldt, Nebr., working with the Southeast Nebraska Community Action Council.

Mr. **Ziebarth.** I am Wayne Ziebarth, State Senator, and also on the board of the Mid-Nebraska Community Action, Kearney.

Senator **Curtis.** All right, Mr. Soukup, if you will proceed.

Mr. **Soukup.** Yes. As I understand it, the intent of this hearing was to determine what the Federal Government can do to help the rural communities in solving their problems. Since many people have or will testify to this problem generally, I will limit my remarks to Federal programs, more specifically what I believe is wrong with the way the Federal programs are run for rural Nebraska, and some possible solutions.

Specifically, I am talking about programs for the economically disadvantaged and community development programs in the State.

First, I would like to say that the Federal programs that are now in existence are inappropriate for rural areas. They are written only with urban areas in mind and they then have to be adapted to the rural areas and they don't work well because they aren't designed to work well in rural areas.

I guess I might best illustrate this with an example. I am sure that both of you Senators are familiar with the Neighborhood Youth Corps program of the Department of Labor. The Neighborhood Youth Corps program has what they call a maximum enrollee figure, in other words, a figure which you cannot exceed per enrollee you have enrolled. This program works well in big cities where you can have 200 or 300 enrollees. This program does not work in rural areas where you have 20 or 30 enrollees.

It is next to impossible to eke out the kind of administrative costs that are necessary to run the program and it is absolutely impossible to get other services such as counseling that the youths need to become active, contributing members of their communities.

My next point is that rural areas don't get their fair share of Federal funds. Rural areas have 40 percent of the economically deprived people residing in their areas and they get 28 percent of the funds.

Senator **Curtis.** Now, which funds are you speaking of?

Mr. **Soukup.** I am speaking again of programs, OEO programs, DOL programs, programs for the economically deprived. There are 40 percent of the economically deprived people that live in rural areas.

Senator Curtis. Are you including all the welfare appropriations in that?

Mr. Soukup. No; I am including programs to help them better their lives. I am not involved with welfare. Welfare is a program designed to help people survive.

The aim of the programs that I am inolved with are those that are aimed at turning tax-users into taxpayers.

Senator Bellmon. Are you including BIA funds?

Mr. Soukup. No; I am not including BIA funds.

Senator Bellmon. Do you include the Indians as part of the rural poor?

Mr. Soukup. Yes. The Indians are a part of the rural poor in Nebraska and they are included in coverage by one of our agencies, specifically the three Indian reservations are covered by the Goldenrod Hills Community Action program.

Senator Curtis. Proceed.

Mr. Soukup. We get 28 percent of the funds despite the fact that we have higher need levels. That is, a large amount, for instance, of elderly poor who get sick a lot more often, who don't have any transportation, can't drive themselves, and so on and so forth, and despite the fact that our costs of administration are necessarily higher, it is a simple time and distance problem.

We often have programs that cover several hundred square miles. It takes time to get to the different places within the confines of these programs and it takes more people to administer the program because of the time wasted in traveling and so on and so forth.

My next point is that the Federal bureaucrats who administer these programs are unfamiliar with and unresponsive to the needs of the rural poor. By their—well, I might best illustrate this by two personal examples, if I might.

At one time I was in the employ of the Goldenrod Hills Community Action program and we submitted a grant proposal to the Administration on Aging for funding. Several weeks later we received a call from Washington and the lady at the other end of the phone said we are reviewing your proposal; it appears to be an excellent proposal but your travel budget is out of line.

We explained to her that this travel budget was based on experience of other operating programs and we thought it reflected reality rather well.

Well, after a few minutes of frustrated exchange the woman finally explained, if you are paying that kind of money for travel, you should negotiate a special rate with your local transit authority.

Gentlemen, I submit to you there is no transit authority in rural Nebraska much less on the impoverished Indian reservations.

I will give one more example in this area. I was at one time on the staff of the University of Missouri as a consultant to Community Action programs in Nebraska and Kansas. I was instructed to go to a meeting in Washington, D.C. It was for an exchange of information from the Federal Government people specifically in OEO and local field people to exchange the problems that we were having.

I was taking part in a discussion chaired by someone from the national office with AHD and I was making some basic points about the makeup of Nebraska, and he corrected me. He said that is not the way it is in Nebraska.

I was somewhat astonished. I have lived and grown up in rural and urban Nebraska and worked here all my life. I asked him what he based his opinion on and he said, well, I have had field experience there.

Well, after a somewhat heated debate I discovered that he certainly had had field experience in Nebraska. He was here 6 days one time.

They are the kind of people that are administering these programs.

I think what we need to do is either have special programs for the rural areas or at least get people who are interested in rural areas to administer these programs.

The final point that I would like to make is that the federal programs are not coordinated and are funded with the shotgun approach. This can cause us confusion on the national level, in the regional office at the Federal Government level, and on the State level because we often administer these programs. Again, I might illustrate this by an example:

Drug programs in Nebraska are funded through the following sources: The State department of welfare, the State department of labor, the State department of institutions, the State department of health, the State department of veterans' affairs, the State crime commission, the State comprehensive planning unit, the Governor's office. In addition to this, there are funds available through the OEO national office and OEO regional office to fund local community action agencies for drug related programs. This causes, I would say, the minimum of results with the maximum expenditure.

I think the Federal Government should in some way try to coordinate this program better.

I might suggest that if they are going to be funding programs in the State of Nebraska on drugs they should fund this to the State of Nebraska. If they like, earmark specific expenditures in specific areas such as education, curative measures, and let the State of Nebraska coordinate these programs. We would be operating programs for much less money doing a lot more.

My final example: I have recently been working on a report for the Governor on the problems of the impoverished Indians in northeast Nebraska on the reservations and again I am just trying to illustrate the shotgun approach of funding. We were very concerned with the fact that nothing seems to be improving a lot of these people. So we were investigating. And we discovered there are three Indian reservations in northeast Nebraska, Santee Sioux, Winneboga, and Omaha. They have approximately 2,200 Indians and the Federal funding going into this area approached $10 million in this fiscal year.

The unfortunate part of this, gentlemen, is that the results, if it is going to be a reflection of years past, are going to be negligible and probably none.

I have taken enough of your time. I think what I will do is open this to a discussion with the people here who are on the firing line who every day are trying to solve the problems of the economically disadvantaged in rural Nebraska.

Thank you.

Senator CURTIS. The problem that you deal with, multiplicity of Government programs, and the many people that they deal with, is a very important subject. I just can't underestimate it. We are indebted to you for bringing it here.

Now, I am worried that we are faced with this hard fact: It is now 4:30 and we haven't got even halfway down the list of witnesses. Now, I do want to hear from each one of these people who came in here but I think if we have too much of a disorganized general discussion that we just cannot reach many people, some of them quite far removed from Lincoln, who also have been called on, been invited to come here.

So what I would like to do if it meets with your approval, we will call on these people in the order that they gave their names and if they could just in a minute, perhaps, state that particular point that they would like to stress in this general area—will that be all right?

Start in over there.

STATEMENT OF FREDERICK C. WEFSO, NORTHWEST NEBRASKA COMMUNITY ACTION COUNCIL, RUSHVILLE, NEBR.

Mr. WEFSO. Senator Curtis, several things have been pointed out. A town of 1,100 or 1,200 people in an agricultural area that adjoins a large reservation tries to do something. You have got about one time every 10 years that you can gather up enough capital to get something going and if you fail, you are out for another 10 years. And this happened in my community and we are a little unique in that we had two factories fail rather than one. But we run into some problems.

One thing that I don't think has been brought up, we do need some expertise and advice. We got into an area where we were competing with foreign imports and this was a shoemaking business, and we thought that we could take our minimum wage people, and they all are minimum wage, and they are all unskilled, and train them and compete with Italian shoes, and that is impossible. So we failed in that respect.

We were fortunate; we did find out that the Small Business Administration is very gracious in loaning money for our brick and mortar setup, our building. Then they stopped there. And then when you fail, here they come. And I do think that when you live 500 miles from the home office of Small Business Administration, they could possibly hire some people, maybe some of these retired people who were mentioned earlier today, to come out and give you a hand.

A small town of 1,200 people doesn't have a great amount of knowledge in big business management and productivity and in marketing. So I think they should follow that up.

Somewhere along the line, and I don't know too much about this, but it is very difficult for a company to come in and use their own trucks. The trucking or transportation is a real problem in our area. I don't believe that has been mentioned too much today.

Another thing we found out was that when you take a man who hasn't worked for 3 or 4 years and you put him to work and he lives 45 miles away on an Indian reservation, he has two problems: One, at $2 an hour he cannot pay $100 a month rent, so housing becomes an extreme factor. And it is very difficult to get the people from Omaha to look into your housing problems. And he also runs into a problem then, if he is going to live in a shack on the reservation, he has got to get there and five people in a car can do it until the car breaks down. Then he is unemployed again.

One thing we could use from somewhere is some advice. If all these $30,000-a-year people that are getting laid off could be utilized to come out and tell us what we are doing wrong, we will try again in 10 years and raise another $50,000 and go back at it again if we are still there.

Thank you.

Senator CURTIS. All right. The next gentleman.

STATEMENT OF ALLEN J. ARRINGDALE, EXECUTIVE DIRECTOR, NEBRASKA PANHANDLE COMMUNITY ACTION AGENCY, GERING, NEBR.

Mr. ARRINGDALE. I think you, Senator Curtis, are very much aware of the problems we have had in western Nebraska community action agencies, and so forth. I think from what I have heard today here in this testimony, the subjects have been very well covered as far as rural Nebraska.

However, there is one problem that hasn't been brought up and this is the problem of migrants which is covered under several programs and some of the scatter programs that Glen has mentioned here. But we are getting into the proposition in the Scottsbluff area where the migrants are coming in and there is no work for them to go on; there is no work if they go back; and many of them are desirous of staying in the area rather than moving back and forth from Texas to Scottsbluff, et cetera.

I think this is one area that our farm population is going to have to help solve. Certainly we are going to have to have rural prosperity but we are also going to have to go into manpower training programs for people who are disadvantaged, with no skill, no training except for working with their hands in the fields.

We don't know the answers. I am sure the Senate doesn't know the answers. But if rural Nebraska is to prosper, then there must be solutions found for these people, too. Even though many of them do migrate into the State, they are still our problem. They are a national problem and I hope through the Senate's action, et cetera, we will find some solution for these people, too.

Thank you.

Senator CURTIS. The next gentleman.

STATEMENT OF ROBERT G. CATHERALL, EXECUTIVE DIRECTOR, BLUE VALLEY COMMUNITY ACTION, FAIRBURG, NEBR.

Mr. CATHERALL. Thank you, Senator Curtis. It is my hope after listening to the testimony today and after it is reviewed that agencies such as our community action agencies as we are private, nonprofit corporation would be analyzed, take a look at it, as maybe a vehicle for some of the delivery of some of the new things that might come out of these hearings.

I think we are in a position—we have been established in Nebraska for 5 to 6 years now. We have been working with people, grassroots people, participatory democracy as we call it. We've got problems. I hope that you will give us a look, take into consideration our capabilities of delivering some of the solutions that I hope will come out of this hearing today.

Thank you.

STATEMENT OF MRS. JACQUELINE KENNEDY, SECRETARY, BOARD OF DIRECTORS, GOLDENROD HILLS COMMUNITY ACTION COUNCIL, WALTHILL, NEBR.

Senator CURTIS. Mrs. Kennedy?

Mrs. KENNEDY. Well, the problem of migration has been mentioned and I would like to say that my husband and I voluntarily relocated from New York State, New York City to be exact, where he can earn over $8 an hour as an ironworker, but out here where his mother's people come from and where I would like to raise my children as Indians on the reservation, he cannot get anywhere near that. He has worked under the Operation Mainstream program at $1.60 an hour and the only alternative is for him to leave the area anywhere for 3 to 6 months every year which is one of the points Mr. Lassek, the agency director, thought would be my contribution to this hearing, the fact that my husband does leave his community.

There is no industrial development there and there is no future in farming, so there is no alternative but to leave the area. And the Operation Mainstream program has no future at all either, with no formal training or recognition of the little bit that they do learn in that program. So there is just no future in it. And I see on the board as a low-income representative of the boards, I see the difficulties we have in handling these moneys from the Federal Government and trying to work with their guidelines and regulations and as Mr. Soukup said, there are millions poured into these areas but so little results can be seen from it.

Thank you.

Senator CURTIS. The next gentleman.

STATEMENT OF KENNETH MESNER, PLATTE VALLEY COMMUNITY ACTION, GRAND ISLAND, NEBR.

Mr. MESNER. As a farmer and a member of the board of community action for 3 years, my experience has been that as an agency we have to run very fast in order to keep up with the decline in the general economy, and having first hand knowledge of farming business, I recognize this, where some people haven't, and recognized it very early in my association with the agency.

The agency as others have said, I think, is capable of initiating a lot of the programs and helping the rural development. Our agency is active in that now, but the farm economy is what it is. It is very hard to keep up. We live in a very highly productive area and apparently the productivity of the farmers and of the farm community as a whole is pretty fairly adequate. When we talk of more production, it only seems to depress prices further and we need some kind of a marketing system which will enable the farmers in the area to get better prices.

Thank you.

Senator CURTIS. Next.

STATEMENT OF ERNEST R. COLLINS, CHAIRMAN, BOARD OF DIRECTORS, CENTRAL NEBRASKA COMMUNITY ACTION COUNCIL, LOUP CITY, NEBR.

Mr. COLLINS. Senator Curtis, Senator Bellmon, as chairman of the Board of Community Action in Loup City, it appears to me many of our problems have been discussed but our main problem has been our area runs across the State about 100 miles wide and about 50 miles in depth. We have talked to Federal people about transportation and they don't seem to think it is such a wide area. So, in other words, I would say one of the things we probably need in ours is improved roads. I think that was brought out today. Then many of our communities have no transportation services at all.

Senator CURTIS. No public transportation?

Mr. COLLINS. No public transportation, and we have a lot of elderly people in Nebraska, in rural areas. Many of our people are 60 years of age, don't drive a car, don't have a doctor in the community, things like that. But I think our whole economy is somewhat based upon the income of farmers and if you might allow me, in 1950 corn was $1.29; today it is $1.01 and milo was $1.97; now is $1.44.

These are the things that I think are based upon our rural agriculture. We have no industry and possibly our State—I think it was brought out here today, suggested—I was hoping Senator Humphrey would be here—I think our State is very negligent in vocational education. We have about three or four places and in Minnesota where I visited I think they have 33 vocational schools and they train people for blue collar jobs. And many of our rural areas need technicians for plumbing, heating, all of those services.

I thing if we had the training for them out in the States, instead of locating them in the—they locate in the cities and then they never come back to our small communities. I think we have to change our philosophy.

Another thing we have had in our priorities was housing. When we talked to FHA, talk about housing, I think about 5 years, we haven't any housing in our small communities. It is a matter of money and everything like that. It is very difficult to get those papers. We send them in and send them in again and again and it gets higher and higher and higher, the paperwork, and then we never get a report. They send back for more papers.

I would like to see the housing authority or someone—they don't want to come out and talk. They go to larger places where they have 30, 40, 150 units. Maybe our community could stand 60. They don't want to come out there.

I think this is part of the problem in a rural area. Talking about rural housing, we don't have it and many of our homes are inadequate, without plumbing, outdoor toilets, things like that. It doesn't seem possible we have that. They talk about the Indian areas in Nebraska but we have a county which I represent, low income, where we have many people below the economic guidelines, free lunch, breakfast, things like that; and I think we have kind of lost track of those people. The elderly in those communities are there and there is no one concerned about the elderly on the economic issue.

Thank you for your consideration.

Senator CURTIS. Mr. Field?

STATEMENT OF BRADLEY FIELD, SOUTHEAST NEBRASKA COMMUNITY ACTION COUNCIL, HUMBOLDT, NEBR.

Mr. Field. Gentlemen, I echo most of what I have heard today but in order not to take too much time, I would like to mention, a couple of things that I think haven't been stressed. One of them concerns the availability of public health services. The area that I work in is the extreme southeast corner of Nebraska, four counties. None of our counties, none of our cities, have public health services locally available. There is a shortage of doctors, a shortage of nurses.

My agency just this last month tried to hire a registered nurse to head a new program. It was impossible to find a nurse in our area who wanted to work, who wasn't already working for the hospitals and the hospitals need more people.

I think it is wrong for us to come to you and say that the ills of rural Nebraska can be solved by more money because I don't think this is the only answer. But perhaps through the Department of Health, Education, and Welfare or some other appropriate vehicle it would be possible for stress to be placed on the greater assistance for rural areas to have health services for people who cannot afford to drive 60, 80, or 100 miles to urban areas such as Omaha and Lincoln.

The other item that I wanted to mention, I think is something that may not respond to legislation but surely should be brought to the attention of someone. We see the agencies that are providing assistance particularly in manpower training and to the farmer, and so on, being urged to provide more assistance to the extreme rural areas, sometimes on a 1-to-1 basis. You read this in the newspapers, and so on. We think this is a step in the right direction but we find that many of the Federal agencies are so anxious, apparently at least, to achieve their goals that they expend most of their effort in the larger areas close to their bases of operation.

It is much easier apparently in Lincoln and Omaha, for example, to fill one's quota for manpower trainees than it would be to go out into the smaller areas and recruit the people there. Also, one would have to put up with the transportation problem, and so on.

Now, I said that money might not necessarily be the answer, but I suppose funds are important here because if people in rural areas are to have the opportunities that they need in order to become able to support themselves, they are going to have to have the training facilities close at hand and people who operate these programs in our State are going to have to be urged to get out into the highways and byways instead of working primarily in their own backyards.

Thank you.

Senator Curtis. Mr. Ziebarth?

STATEMENT OF WAYNE W. ZIEBARTH, MID-NEBRASKA COMMUNITY ACTION, KEARNEY, NEBR.

Mr. Z[illegible]barth. Senator Curtis, Senator Bellmon, you put me in the ad[illegible]eous position of hearing all the comments, so what I have to say [illegible]ented to you last night in prepared testimony.

I on[illegible]ld like to add in defense of our State and the vocational schools [illegible] Mr. Collins has mentioned, I personally sponsored the community college bill which passed and will be in effect in 1973, which will take care, I hope, of the problem he brought forth and we will have a comprehensive community college system throughout our State.

I would like to add to my testimony on transportation. Senator Curtis, you know that in our community a lot of the railroads are now thinking about dissolving bargeships that serve towns and farms in our area or at least taking up their tracks. I would like to urge cooperation on the Federal level. Maybe it would be possible if the railroads would give, say, a 3- to 5-year notice so that our highway department could come in and study, so that we could prepare adequate road transportation in the areas that the railroads would bandon.

That concludes my statement.

Mr. **Ziebarth.** Chairman Humphrey, Senator Curtis and Senator Bellmon, it is a privilege for me to have this opportunity to address these remarks to you as distinguished members of the U.S. Senate Subcommittee on Rural Development.

It is in a mood of pessimistic hopefulness or optimism, if you will, paradoxical as that may seem, that I appear here.

As a Nebraska State senator, I am familiar with the pressing problems of both Federal and State government. I know that programs are sometimes inadvertently successful. There also have been blunders of colossal proportions which have been seemingly well coordinated by planners.

At the Federal level in Washington, it seems that 2 plus 2 often adds to 5 and, at the State level, 2 plus 2 usually come out 3.

It has been said that it's about 11 times as easy to start something as it is to stop something.

So, I'm starting something in the hope that it will stop a dread disease known as rural "gaposis." Rural gaposis is a malady affecting a great body of Nebraska and America which lies outside the boundaries of big cities and their suburbs.

"Gaposis" is defined as the vast imbalance between having too much of some things and not enough of others.

This galloping disintegration has attacked 90 percent of the countryside with—

> Technology on the farm doubling and trebling yields since 1935 thereby creating vast surpluses of low-cost nutritious food products.
>
> Giant surpluses from agriculture "know-how" bringing lower prices and creating a "gaposis" in parity income with products made by industry and labor and an inequitable return on capital investment.
>
> Mechanization on the farm has outdistanced progress in industry. It has resulted in fewer, but larger farms; bigger machines and fewer workers and production per man is about five times what it was 30 years ago.
>
> An outmigration of rural people—young, educated, talented and appreciative of the quality of life—who took flight to the cities to seek employment in industries because there were no jobs at home.
>
> Creation of the cancerous conditions of the cities, overcrowding the metropolitan centers making them insolvent and unmanage-

> able and infected with nearly every social ill known to mankind—garbage, ghettos, pollution, crime, and the destruction of human and natural resources.
>
> Nebraska had tremendous population losses in nearly 75 percent of its counties. The ratio of population declines to gains was 2.75 to 1 during the 1960–70 decade.
>
> In agriculture, you had to get bigger or get out over the last 30 years. The small farmer whose hallowed mode of life once enriched the earth is gone, a victim to the one-two punch of technology and the realities of present day economics.

In shifting to the now near-bankrupt and overly compacted conditions of city life, the rural migrant helped compound the crisis of the cities. That crisis is and has been created by Government in handing out fat-cat contracts to industries centered in metropolitan areas. The Government then engaged in the malpractice of population distribution, becoming the major offender in the critical overconcentration of people and industry.

To ease the pain of the bursting seams of cities, the Federal Government came forth with programs of many shapes and forms and still the innercity problems multiplied like rabbits on an efficiently operated breeding farm.

These programs of a magnitude never before conceived were initiated not to save, heal, and inject new life into rural America, but to isolate the problems of the city, problems which could not be set apart. The programs were designed to divert attention from the deeply interwoven problems of the city and those affecting rural Americans. They sought to cover the mistakes of the modern-day Solomons in government. The programs wasted and dissipated billions of dollars because they failed to cope with the real problem in rural America.

This gets me to the point that there is nothing fundamentally wrong with this country except that Government has too long operated on the wrong assumptions. That's first-class gaposis when you don't see the priorities and the seat of your troubles.

I would suggest the adoption and implementation of a national policy which would achieve these objectives:

(1) A rural development credit bank which would provide credit small towns and counties for construction of community facilities. The rural credit bank would be an intensive and deliberate effort to disperse new industrial development to towns and counties under 25,000 population.

This rural development credit system would have regional banks with local lending offices which could be tied to planning and development regions. The credit system would encourage rural bankers to participate in the infusions of Federal capital so loans could be made to new industry. The rural development credit system would be in the great tradition of the free enterprise system.

This would help stem outmigration, instill new vigor in the one-time pioneer cities across the face of rural America, and bring new health to already overcrowded cities and a forward motion in the countryside.

(2) Transportation is a major concern of mine for our ever-increasing population of senior citizens. The older people of the "horse and buggy days" were better off than the elderly of today in an age of sleek, air-conditioned cars.

Passenger train service has all but vanished. Bus service has declined. Those dependent upon common carrier service are isolated. In one area of Nebraska, 35 out of 160 towns have bus service but five counties and six county seats have no service whatsoever. For most of the residents of this 100 by 100 mile area, a car is required to get to the county seat or the State Capital in Lincoln.

A cooperative might well serve to provide common carrier bus service in small passenger vans to places within planning and development districts. The problem of the rural resident is no less vital than the city dweller for whom mass transit planning is taxing the bureaucratic talents of Washington.

(3) Medical problems confront communities. Legislation before the Congress granted scholarship incentives to students from areas that are short of physicians. This is greatly needed in Nebraska and it draws my support.

The American Medical Association reports physicians raised in small communities tend to practice in small communities. Of those physicians raised in small communities, 49 percent were praticing in towns of 2,500 or less at the time of an AMA survey. Since 63 percent of the doctors had remained in the same community during their entire practice, small towns might seek doctors with rural or small town backgrounds.

May I ask that Government change it's traditional view of rural America, that it look to new legislation which will help industry locate and provide jobs in the countryside and thereby relieve the pressures in the city and assure a better life for rural people.

Senator CURTIS. Senator Bellmon?

Senator BELLMON. Mr. Chairman, because of the shortage of time, I doubt if I should ask questions. This has been a very helpful interlude in our testimony and I really appreciate the contribution that has been made.

I would like to only say one thing. This, I think, was the point Mr. Collins raised, about the difficulty in getting FHA housing projects built in small towns. We are working, I believe, at a system where REA will take this responsibility, actually go through all the redtape and then administer the projects after they have been built. You might want to check into this because I know from personal experience how difficult it is to get these projects finalized and constructed and then get them managed in a small town.

It seems to me that the REA idea is suited to perform this service. It has been very helpful and I thank all the witnesses for their testimony.

Senator CURTIS. I want to say that your complaint has not fallen on deaf ears. I agree wholeheartedly.

I am particularly glad that you enumerated, Mr. Soukup, how many different agencies are administering drugs for the Federal Government in the State of Nebraska. We are reaching a point in Washington where the Government is so large there is a serious question about management.

I also want to say to you, all of you, that if any or all of you wish to elaborate on what you have said here today, this record will be held open for several days and you can submit a written statement in addition to what you said. We thank you very much.

Senator **Bellmon**. I want to be sure I understood you properly. You say there are 2,200 Indians on the three reservations, Omaha, Winnebago, South Sioux and Santee Sioux?

The 2,200 Indians and the BIA is spending $10 million?

Mr. **Soukup**. No, I didn't say the BIA. I said all Federal Government sources, through a lot of departments.

Senator **Bellmon**. If I figured right, that is $4,500 per Indian.

Mr. **Soukup**. I think it is at least that, yes.

Mr. **Wefso**. On the other hand, Senator, we have about 2,200 Indians in the Panhandle and they get nothing from BIA.

(The prepared statement of Mr. Soukup is as follows:)

Mr. **Soukup**. Poverty in Nebraska is a statewide problem. The poor are not only found in the urban centers but also they live and work, or are unemployed, in large numbers in the rural parts of the State. Nonmetropolitan Nebraska has as persistent a poverty problem as do the cities. The rural poor are the Mexican American and American Indian minority groups, the small farmers who are losing money on production of agricultural commodities, and the families engaged in service and supportive occupations, whose incomes depend on prosperous farming.

It is appropriate that the Rural Development Subcommittee investigate the trend of rural decline in the United States by selecting Nebraska as a subject of this series of hearings. Nebraska is predominantly a rural State, and its economy is almost solely farm-oriented. When rural America suffers economically, this means almost automatically that Nebraskans will also feel the effects. Because of the agricultural dependence, residents of this State are vitally concerned with Federal agriculture decisions and policies. We are therefore pleased to testify before this hearing.

I. Primary assurance of improvement and positive growth in rural America would be to assure a healthy and diverse economic base in the nonmetropolitan areas. This would do more than any other goal to encourage rural development. The need for positive action to secure a stable rural economy is evidenced by a variety of statistical data. During the 1960's, rural Nebraska counties consistently lost population. It is important to note that most of the residents who moved to urban areas were wage-earning persons whose taxes and leadership were vital for rural communities.

The outmigration has been so (constant) that, according to U.S. Census statistics, only four Nebraska counties experienced an increase in net inmigration during the 1960's (see app. D). For the State as a whole, net outmigration for the decade was 73,291. A major cause of outmigration is the lack of jobs and opportunities for advancement. Several predominantly rural counties have recorded agricultural job declines of up to 20 percent during the same period. Also, average income levels in rural Nebraska counties are uniformly lower than those of urban counties (see app. A, B, C, D, E).

When the agriculture workers and farmowners leave the area, supportive services in Nebraska towns suffer. Families dependent on these incomes eventually leave; profitable businesses are impossible to maintain in this stagnant, undiversified economic situation. Thus, not only the unemployed, but also those with jobs, are unable to survive independently since the area industry provides no stable economic security. Blue Valley Community Action Agency (CAA) commented on the outmigration, noting that between 1962 and 1966 agricultural jobs declined 19 percent in that CAA region.

> Unfortunately, the young, mobile and ambitious are the persons moving out of our area, which reduces our work force to a great degree. As a result, it is the old and the immobile that remain * * * We estimate that 20 percent of our remaining population is 65 years of age or older (BVCA CAP 81 report, Program Year E, pp. 10–11).

This information contrasts with the other positive agricultural economic indicators; the increased efficiency of farm operations, the greater productivity per acre and per man-hour. The key to this paradox is that the increase in agricultural productivity and efficiency and the resulting decrease in farm-connected jobs have not been accompanied by the introduction of replacement industries to provide the workers alternative job opportunities within the rural area.

Evidence of the trend toward stagnation and decline is reinforced by every rural Nebraska Community Action Agency. The central Nebraska CAA noted that—

> With the exception of one industry which employs about 400 people, agriculture and supportive services are the sole provisions for employment opportunities, and in this age of technological innovations farm labor is on a decline * * * This reduction is a reduction of low agricultural profits for the small farmer * * * Agriculture cannot provide enough jobs for the populace (Central Nebraska CAP 81 report, Program Year E, p. 4).

Southeast Nebraska CAA (SENCA) noted that the general decline in farm prices, coupled with a rise in farm expenses has caused the small farms to feel the pressure first. Also, SENCA said, industries have been reticent about locating in rural Nebraska due to many factors associated with rural economic problems. These include lack of skilled labor, poor transportation facilities, and lack of resources, community services, and community leadership that would develop these essentials. Many rural community aspects would benefit industrial investment, such as tax breaks and less expensive labor, should these other problems be solved.

Goldenrod Hills CAA noted that the—

> Successful agricultural sector of this Nation's economy is limited to corporate sized farming or ranching, or to those utilizing farm and ranch land as a tax shelter. The marginal or unsuccessful sector of this aspect of the economy is composed of the traditional, or family farm. It is those in the latter category who reside in (our area), the family farmer who, living in a period of inflation, realizes smaller profits and is confronted with higher costs of production * * * (Goldenrod Hills CAA, letter, Sept. 1, 1971).

As Platte Valley CAA commented, by solving the basic economic stability problem, much of the rural decline could be prevented.

> Rural development should be a high priority, as it could be a major factor in preventing (more) urban problems through a balance of population and economy (Platte Valley CAA, letter, August 30, 1971).

Other effects of the declining rural economic base are numerous and difficult to alleviate. These include low tax support of local government due to low incomes and disinterest among the populace, resulting in the lack of public services. Also, antiquated local systems of government remain a burden due to the lack of local leadership, lack of pressure for reform, and lack of a programmatic need for government services revision.

Two major community needs most consistently mentioned are housing and health. The central Nebraska CAA specifies that deteriorating and dilapidated housing "poses a psychological disadvantage to our efforts to alleviate poverty." The Platte Valley CAA is concerned about the large number of substandard housing units in its area, the high interest rates, and the community tendency to try to solve housing problems only with regard to the elderly. The northwest Nebraska CAA recognized "the effect of these conditions on the social development of the poverty community as well as the threat to the health of the residents (NWCAA, CAP 81, p. 5)." It should be noted that the general lack of construction and expansion denotes a general area malaise.

Health care is consistently cited as a major area of concern. In all rural Nebraska CAA reports, it was noted that the lack of doctors in the areas, combined with the difficulty of obtaining transportation, makes it nearly impossible for even middle income persons to receive regular medical treatment. SENCA noted:

> None of our counties has a public health department or offers nursing services to the poor or aged in their homes. * * * none of the towns nearby is large enough to provide such services for its residents (SENCA CAP 81, Program Year E, p. 6).

Other problems named that stem from the lack of local support are the nonsupport of public education and lack of local investment capital due to conservative local bank practices.

II. It is apparent that positive, emphatic Federal action is essential to prevent a nationwide, self perpetuating system of rural poverty. It is ironic that a major source of the rural decline in the last 20 years is U.S. agriculture policy. The Government has successfully improved production methods and efficiency in agriculture, and the result has been both useful and disasterous. Farm technology has greatly improved, allowing food prices to go down and production to increase. Thus business aspect of agriculture has benefited. But at the same time many workers have been left jobless, and the Government did not plan sufficiently to cope with this result of its efforts. Instead, no contingency plans were available for implementation until it was too late to preserve a strong economic base in the rural areas. It was assumed that job changes would be assimilated into the economy. Thus, CAA's in rural areas are assisting in development of programs to combat 20 years of neglect of rural citizens' needs.

Major assistance to localities is needed for planning and program implementation, revision and reform for local governmental systems and for Federal programs that administer nonmetropolitan programs. An immediate need is support of farm income. An income floor for marginal income farmers and farmworkers would postpone the outmigration of many families, and contribute money directly to the rural economy. Also required for more long-range farm income improvement are innovative changes in transportation and distribution of products. Also, credit and investment arrangements in rural areas have not kept pace with needs of the area residents and businesses.

All Federal nonagricultural domestic policy, in areas such as education, transportation, health, and welfare, must be carefully adapted to meet the needs of nonmetropolitan areas as well as those of urban areas. Specific distinctions are essential for the rural success of Government efforts. It must be remembered that while the needs of cities are immense, the needs of nonmetropolitan areas need separate yet coordinated attention.

Another specific rural need is for leadership to promote and plan. The "lack of expertise" among residents was mentioned repeatedly as a major problem in the CAA localities. State and Federal assistance in this area is essential for the improvement of local programs. Along with this, CAA's consistently mentioned the lack of understanding on the part of local residents about the problems within their own areas. SENCA discussed the outlook and life-style of Midwest rural residents. Of major influence is the independence and "great conservatism" of rural Nebraskans, which tends to hamper organized community activities. Residents also tend to mistrust government at all levels, but especially national programs. The geographic and philosophic isolation is maintained, reflecting a desire among residents to avoid the problems of population growth and urbanization that often result from "development." There is also a widespread unwillingness to face problems of area economy (outmigration, underemployment) although positive action would preserve the rural environment that the residents value.

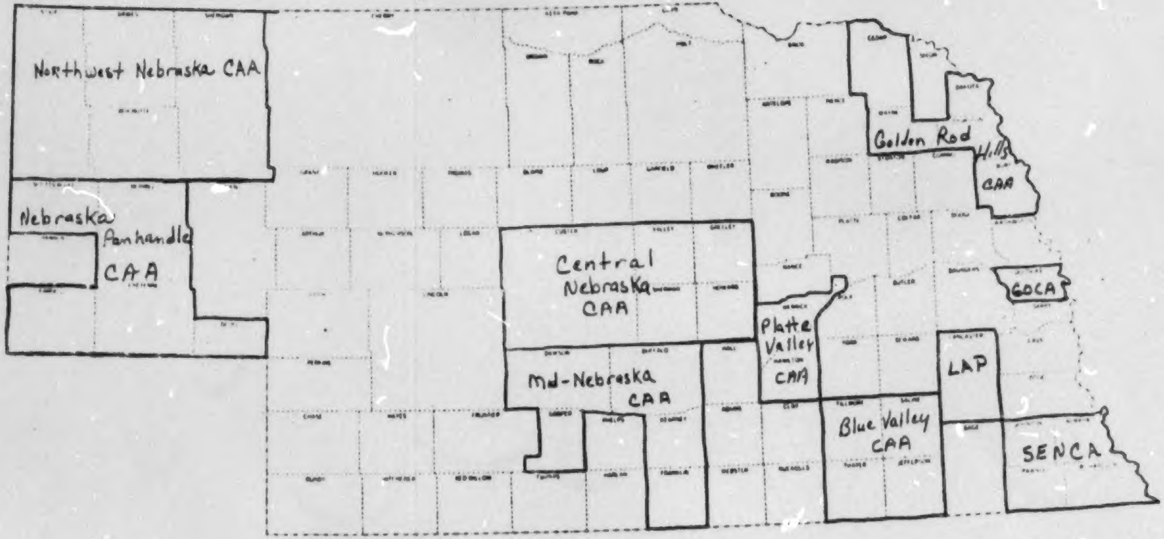
This attitude seems to be a block to the elimination of poverty. The Nebraska Panhandle CAA identified as one cause of poverty the "lack of awareness. * * * as to the particular qualities and significance of low income syndrome (Panhandle CAA 81, Program Year E, p. 5)." A similar lack of recognizance among the middle and upper classes was a fairly common problem among the rural CAA's. Federal statistics show that percentages of the poor in the rural population approximate those in urban populations, yet the poverty problems are not recognized due to the rural life-styles and environment. The Blue Valley CAA also noted that approximately 40 percent of the Nation's poor are living in rural areas, and in fiscal year 1969 only 28 percent of Office of Economic Opportunity (OEO) funds were allocated to the rural areas (Blue Valley CAP 81, p. 15).

Awareness for all citizens regarding rural development is vital to promote a long-range solution to the inequalities of economics and social organization in this country. The information stumbling block, and the others mentioned above, portray problems that must be faced in order to alleviate the inequitable situation in rural America and in other American challenges.

Nevertheless, the long-lived problems of rural America demand immediate attention and imperative solution. It is in the foremost interest of this country to promote the development of the rural areas, thus gaining further control over the future growth of the Nation. Population needs cannot be handled only in terms of urban centers versus rural areas. Nor can they be viewed in terms of business rather than human needs. Rather, methods must be developed to deal with wide-ranging comprehensive planning for economic and demographic stability in all geographic areas, especially for the benefit of area residents. Implementation of long-range programs to promote rural development are essential to improve the nonmetropolitan American situation, and they will contribute in basic ways to the well-being of the entire Nation.

Appendix A

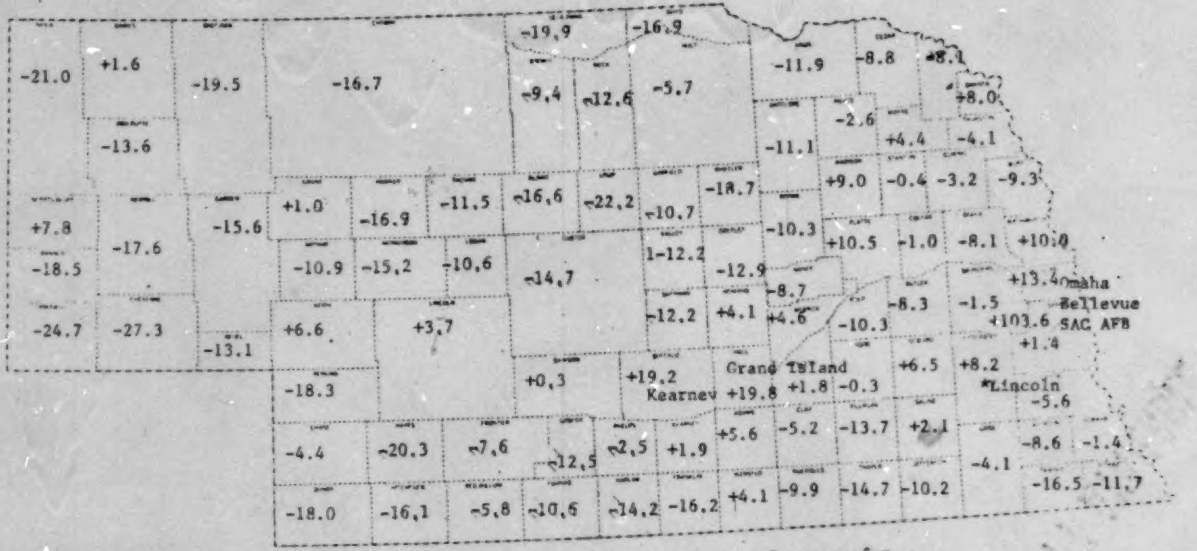
OEO Community Action Agencies in Nebraska


Northwest Nebraska CAA
Nebraska Panhandle CAA
Central Nebraska CAA
Mid-Nebraska CAA
Platte Valley CAA
Golden Rod Hills CAA
GOCA
LAP
Blue Valley CAA
SENCA

SENCA = Southeast Nebraska Community Action
LAP = Lincoln Action Program
GOCA = Greater Omaha Community Action

Appendix B

POPULATION CHANGES IN NEBRASKA COUNTIES
1960-1970
By Percent of Population
Source: 1970 U.S. Census


-21.0
+1.6
-19.5
-16.7
-19.9
-16.9
-11.9
-8.8
+8.1
-13.6
-9.4
-12.6
-5.7
+8.0
-2.6
+4.4
-4.1
-11.1
+1.0
-16.9
-11.5
-16.6
-22.2
-10.7
-18.7
+9.0
-0.4
-3.2
-9.3
+7.8
-17.6
-15.6
-10.3
+10.5
-1.0
-8.1
+10.0
-18.5
-10.9
-15.2
-10.6
-14.7
1-12.2
-12.9
-8.7
+13.4
Omaha
Bellevue
SAC AFB
-24.7
-27.3
-13.1
+6.6
+3.7
-12.2
+4.1
+4.6
-10.3
-8.3
-1.5
+103.6
+1.4
-18.3
+0.3
+19.2
Kearney
Grand Island
+19.8
+1.8
-0.3
+6.5
+8.2
*Lincoln
-5.6
-4.4
-20.3
-7.6
-12.5
-2.5
+1.9
+5.6
-5.2
-13.7
+2.1
-4.1
-8.6
-1.4
-18.0
-16.1
-5.8
-10.6
-14.2
-16.2
+4.1
-9.9
-14.7
-10.2
-16.5
-11.7

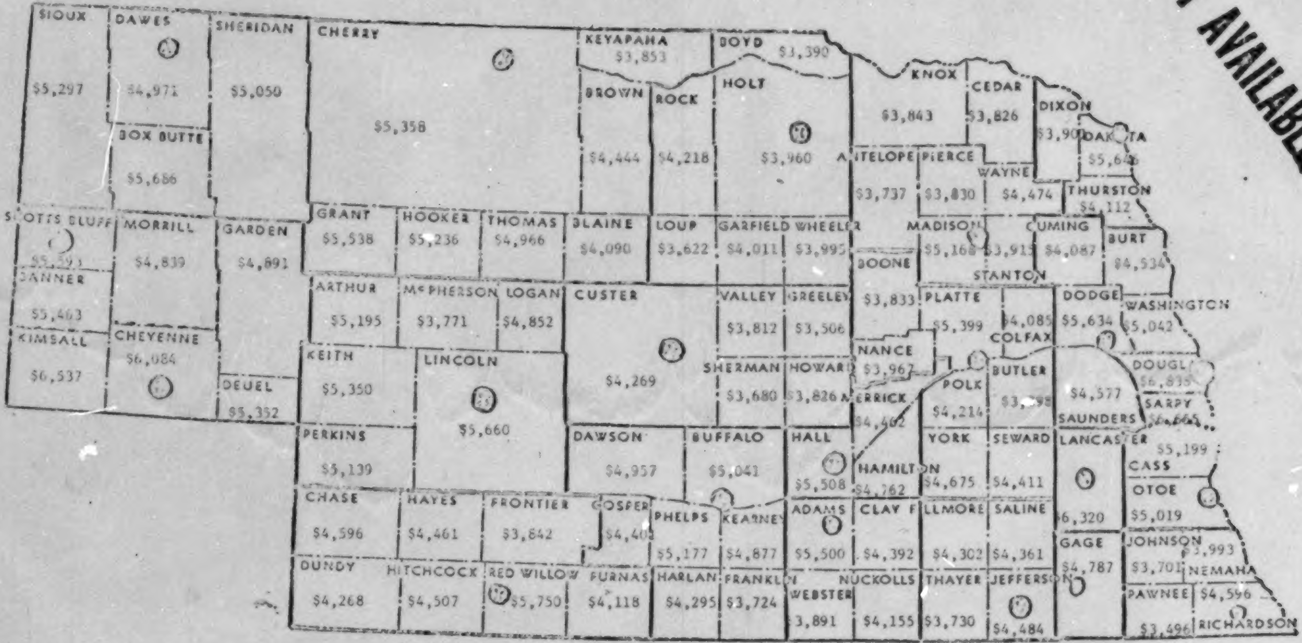
Average Increase for
Nebraska Counties = 5.1%
Average Rural Decrease = -11.5%
Average Urban Increase = +19.1%

BEST COPY AVAILABLE

MEDIAN FAMILY INCOME (1966)

U. S. County Standard $4,630

Appendix C


SIOUX
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DAWES
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SHERIDAN
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CHERRY
$5,358
KEYAPAHA
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BOYD
$3,390
KNOX
$3,843
CEDAR
$3,826
DIXON
$3,90
DAKOTA
$5,64
BOX BUTTE
$5,686
BROWN
$4,444
ROCK
$4,218
HOLT
$3,960
ANTELOPE
$3,737
PIERCE
$3,830
WAYNE
$4,474
THURSTON
$4,112
SCOTTS BLUFF
$5,59
MORRILL
$4,839
GARDEN
$4,891
GRANT
$5,538
HOOKER
$5,236
THOMAS
$4,966
BLAINE
$4,090
LOUP
$3,622
GARFIELD
$4,011
WHEELER
$3,995
BOONE
$3,833
MADISON
$5,168
STANTON
$3,915
CUMING
$4,087
BURT
$4,534
BANNER
$5,463
ARTHUR
$5,195
McPHERSON
$3,771
LOGAN
$4,852
CUSTER
$4,269
VALLEY
$3,812
GREELEY
$3,506
PLATTE
$5,399
COLFAX
$4,085
DODGE
$5,634
WASHINGTON
$5,042
KIMBALL
$6,537
CHEYENNE
$6,084
DEUEL
$5,352
KEITH
$5,350
LINCOLN
$5,660
SHERMAN
$3,680
HOWARD
$3,826
NANCE
$3,967
MERRICK
$4,462
POLK
$4,214
BUTLER
SAUNDERS
$4,577
DOUGLAS
$6,835
SARPY
$6,665
PERKINS
$5,139
DAWSON
$4,957
BUFFALO
$5,041
HALL
$5,508
HAMILTON
$4,762
YORK
$4,675
SEWARD
$4,411
LANCASTER
$6,320
CASS
$5,199
OTOE
$5,019
CHASE
$4,596
HAYES
$4,461
FRONTIER
$3,842
GOSPER
$4,40
PHELPS
$5,177
KEARNEY
$4,877
ADAMS
$5,500
CLAY
$4,392
FILLMORE
$4,302
SALINE
$4,361
GAGE
$4,787
JOHNSON
$3,701
$3,993
NEMAHA
DUNDY
$4,268
HITCHCOCK
$4,507
RED WILLOW
$5,750
FURNAS
$4,118
HARLAN
$4,295
FRANKLIN
$3,724
WEBSTER
$3,891
NUCKOLLS
$4,155
THAYER
$3,730
JEFFERSON
$4,484
PAWNEE
$4,596
$3,496
RICHARDSON

APPENDIX D

	Population 1970	Migration 1960-70
Adams	30, 533	−313
Antelope	9, 047	−1, 553
Arthur	606	−128
Banner	1, 034	−316
Blaine	847	−249
Boone	8, 190	−1, 466
Box Butte	10, 094	−2, 355
Boyd	3, 752	−959
Brown	4, 021	−568
Buffalo	31, 222	+2, 615
Burt	9, 247	−1, 188
Butler	9, 461	−1, 213
Cass	18, 076	−1, 529
Cedar	12, 192	−2, 600
Chase	4, 129	−373
Cherry	6, 846	−2, 201
Cheyenne	10, 778	−5, 435
Clay	8, 266	−669
Colfax	9, 498	−384
Cuming	12, 034	−1, 422
Custer	14, 092	−2, 932
Dakota	13, 137	−828
Dawes	9, 761	−355
Dawson	19, 467	−1, 603
Deuel	2, 717	−513
Dixon	7, 543	−961
Dodge	34, 782	−1, 128
Douglas	389, 455	−8, 116
Dundy	2, 926	−693
Fillmore	8, 137	−1, 435
Franklin	4, 566	−797
Frontier	3, 982	−484
Furnas	6, 897	−795
Gage	25, 719	−1, 795
Garden	2, 929	−657
Garfield	2, 411	−406
Gosper	2, 178	−389
Grant	1, 019	−120
Greeley	4, 000	−187
Hall	42, 851	+3, 200
Hamilton	8, 867	−288
Harlan	4, 357	−805
Hayes	1, 530	−478
Hitchcock	4, 051	−921
Holt	12, 933	−2, 054
Hooker	939	−238
Howard	6, 807	−184
Jefferson	10, 436	−1, 204
Johnson	5, 743	−710
Kearney	6, 707	−96
Keith	8, 487	−503
Keya Paha	1, 340	−448
Kimball	6, 009	−3, 090
Knox	11, 723	−2, 264
Lancaster	167, 972	−9, 371
Lincoln	29, 538	−1, 606
Logan	991	−160
Loup	854	−291
Madison	27, 402	−260
McPherson	623	−150
Merrick	8, 751	−251
Morrill	5, 813	−1, 683
Nance	5, 142	−713
Nemaha	8, 976	−287
Nuckolls	7, 404	−1, 038
Otoe	15, 576	−1, 616
Pawnee	4, 473	−721
Perkins	3, 423	−969
Phelps	9, 553	−724
Pierce	8, 493	−805
Platte	26, 508	−932
Polk	6, 468	−940
Red Willow	12, 191	−1, 979
Richardson	12, 277	−1, 780
Rock	2, 231	−507
Saline	12, 809	+224
Sarpy	65, 007	+22, 825
Saunders	17, 018	−1, 195
Scotts Bluff	36, 432	−1, 720
Seward	14, 460	+153
Sheridan	7, 285	−2, 263
Sherman	4, 725	−985
Sioux	2, 034	−656
Stanton	5, 758	−426
Thayer	7, 779	−1, 330
Thomas	954	−165
Thurston	6, 942	−1, 198
Valley	5, 783	−939
Washington	13, 310	+484
Wayne	10, 400	−334
Webster	5, 396	−746
Wheeler	1, 054	−377
York	13, 685	−647
Total	1, 483, 791	−7 3, 291

Source: 1970 U.S. census.

APPENDIX E

PRINCIPAL PROBLEMS AND CAUSES OF PROPERTY IN NEBRASKA—REPORT CUTLINE

I. NEBRASKA'S DECLINING AGRICULTURAL ECONOMY

A. Unemployment and underemployment.
B. Outmigration of young people from rural areas.
C. Depressed state of national economy.
D. Decline as it affects small farmers and businesses:
  1. Farm price decline, rise in expenses.
  2. Other jobs not available in area.
E. Traditional low wages in Nebraska.
F. Seasonal and migrant labor.

II. URBAN PROBLEMS IN NEBRASKA

- A. Inadequacy of urban government:
  - 1. Lack of broadbased economic opportunity.
  - 2. Lack of employment opportunity.
  - 3. Lack of training programs.
- B. Declining quality of urban involvement:
  - 1. Citizen participation.
  - 2. Lack of social planning and coordination.
- C. Crime and civil disorder:
  - 1. Metropolitan cities.
  - 2. Juvenile delinquency.
  - 3. Drug abuse.

III. SOCIAL-COMMUNITY PROBLEMS

- A. Low-income housing:
  - 1. Lincoln action program.
  - 2. Omaha problems.
  - 3. Other areas.
- B. Health care:
  - 1. Lack of rural doctors, transportation.
  - 2. Exhorbitant urban and rural costs.
  - 3. Lack of public health services in rural areas.
- C. Information and organization among the poor:
  - 1. Disbelief in ability to affect community.
  - 2. Lack of understanding of antipoverty efforts.
  - 3. Low-income participation in antipoverty decisions.

IV. PUBLIC ATTITUDES

- A. Lack of awareness of general public.
- B. Refusal to admit poverty conditions exist.

V. INDIVIDUAL PROBLEMS AMONG LOW-INCOME PERSONS

- A. Sources of personal problems.
- B. Education:
  - 1. Lack of impetus to obtain education or skill.
  - 2. Need for adult basic education.
  - 3. School system problems in Omaha.
  - 4. Need for improved vocational-technical training.
- C. Alcoholism.
- D. Malnutrition.

VI. CONCLUSION

Poverty in Nebraska is a statewide problem. About one-half of the state lies within Community Action Agency areas. This territory includes nearly all Nebraska's major communities and a balanced geographical distribution of counties. This report is based on the Community Action Program (CAP) 81 1971–1972 reports from the ten Nebraska agencies, especially questions IIa (What are the major causes and conditions of poverty in the community served by the CAA?) and IIc (What are the CAA's priorities for the coming program year?). Collation of these CAP reports has resulted in what appears to be a representative statement of the problems and causes of poverty in Nebraska.

Life in Nebraska generally has a calm, rural demeanor, even in the urban centers. With the exception of the two major cities, heavy traffic, loud noise, and frenetic activity are absent. Also absent in most of the state is a viable, dynamic economic base. Poverty in Nebraska stems in large part from this socioeconomic system. Four other major causes of poverty are noted in the CAP reports:

Urban problems, specified by Greater Omaha Community Action (GOCA) and the Lincoln Action Program (LAP);

Social or community problems, such as housing, transportation, health care;

Public attitudes, i.e., negative perceptions about poverty and its origins, non recognition of existing situations; and

Individual problems among the poor education, malnutrition, alcoholism, physical disabilities.

Although the above five problem areas were not identified in each report, both the specific and the general problems mentioned by the ten Nebraska CAA's can be placed in these categories.

I. Nebraska's declining rural economy was mentioned in eight of the ten CAP 81 reports as the underlying cause of poverty in the CAA area. The two not mentioning this were LAP and GOCA, the two metropolitan CAP's in the state. The reports also included rural isolation, lack of new industry, and the economic unfeasibility of small agricultural operations as accompanying causes. Directly related to this is unemployment, underemployment and seasonal employment, the outmigration of workers, and a low wage scale.

The Central Nebraska CAP listed unemployment and underemployment as the major causes of poverty in the area. "With the exception of one industry which employs about 400 people, agriculture and supportive services are the sole provisions for employment opportunities, and in this age of technological innovations farm labor is on a decline * * *. This reduction is a result of low agricultural profits for the small farmer * * *. Agriculture cannot provide enough jobs for the populace (Central Nebraska CAP 81, p. 9–10).

The Mid-Nebraska CAP cited similar economic situations. It noted the decline of the rural economic base, and the resulting "serious outmigration of the younger generation in many areas. (The decline) may also be noted in the general deterioration of the smaller communities" (Mid-Nebraska CAP 81, p. 4). The Nebraska Panhandle CAP cited the depressed state of the national economy as it affects the quality and quantity of industry and agriculture, and the inability of the low-income people to provide a satisfactory response to those demands due to a lack of resources. The Southeast Nebraska Community Action Council (SENCA) also identified the rural decline as the principal source of poverty. Noting a general decline in farm prices, coupled with a rise in farm expenses, SENCA said that the smaller farms have felt the pressure most. When displaced farmers and farm-dependent workers look for other jobs in the area, the opportunities are scarce due to the lack of diversified industrial development. To complete the cycle, industries have been reticent about locating in rural Nebraska, due to many factors associated with rural economic problems. The failure of rural Nebraska to participate in economic development and diversification is an outstanding concern for the state and the CAA's. If measures are not undertaken to involve the rural communities in the development shared by technologically advanced areas, and if the natural population decrease in many areas of Nebraska continues, the result may be near abandonment of several regions of Nebraska in three or four decades. Urban economic development, also a problem, will be discussed later.

A major proportion of the decline in rural economy in the last 20 years can be traced to an unlikely source—the U.S. agricultural policy. The Government has worked hard and successfully for the last 20 years to improve methods of agriculture, and the end result has been both useful and disastrous. Farm technology has greatly improved, allowing food prices to go down and production to greatly increase. The business aspect of agriculture has thus benefited greatly. But at the same time, people formerly employed by small farmers, and the people in farm towns dependent on (other residents) for business, have been left jobless by the increased technology in farming. No replacement industries or services have alleviated the job loss suffered by these rural citizens; thus they have been forced to leave their areas in order to support themselves and their families. One might argue that the Government should have foreseen these results, the spinoff and side effects of these efforts. But instead, as happens in so many efforts, no notice was taken until it was too late to maintain a strong economic base. Thus, 20 years later, community action projects in rural areas are attempting to repair the damage unintentionally inflicted in the name of progress. The small rural communities, dependent on farmers for livelihood, are drying up for want of business. The farmers sell out and leave for other jobs, and the smalltown supportive services are left behind, the last to depart from the rural area.

SENCA also noted that low wages have been a tradition in Nebraska, contributing to the serious underemployment situation. Farm labor is not covered in the Federal minimum wage laws. Also, rural farm and ranch employers often rely on payment in food and lodging as well as salary for employees. As a result, many residents are unable to save money and be contributors in the local economy. Every CAA mentioned low wages as a cause of poverty.

The Blue Valley CAA also put rural decline first among causes of poverty, noting that between 1962 and 1966 there was a decline of 19 percent in agricultural jobs in the Blue Valley region. "Unfortunately, the young, mobile, and ambitious are the persons moving out of our area, which reduces our work force to a great degree. As a result, it is the old and the immobile that remain * * *. We estimate that 20 percent of our remaining population is 65 years of age or older" (Blue Valley Community Action CAP 81, p. 10–11). While the unemployment rate in the four-county area was only 2.2 percent in 1970, the underemployment rate was estimated at 25 percent by the Nebraska Department of Labor. "Most of the underemployed have rural and agricultural backgrounds. Due to the decline in farms, many of these workers are forced out of the agricultural employment and end up in unskilled and semiskilled nonfarm jobs that pay minimum salaries, and as a result, the breadwinner cannot support his family" (BVCA CAP 81, p. 12).

Another consequential employment problem is seasonal labor. At certain times of the year there is a need for an increased labor force, a situation that does not contribute to a stable economy. As a result, the earning power of the seasonally employed family head is limited. All the CAP's based in agricultural areas mentioned this factor as an economic contributor to poverty. Associated with this is the problem of migrant agricultural workers, whose seasonal labor is used by the farm operations and seasonal farm industries, such as alfalfa mills and sugar beet processing plants. While the migrant problem in Nebraska is not as prevalent as in other parts of the U.S., the consistent poverty of the migrants and the Government's inability to cope with migrant assistance is a perplexing problem in Nebraska.

II. Urban problems were named by LAP and GOCA as the outstanding causes of poverty in the two largest cities in the state. The Omaha CAP named the first contributory cause "inadequacy of urban government," which included employment and training. Economic development, GOCA wrote, and participation in it, cannot be achieved unless its practitioners build one step at a time.

"The tragedy of our citizens that live in the ghetto or poverty area is that they have no chance to save money. They are barely able to subsist on their low incomes and high prices, for what they get. Since saving is the basis for accumulating capital, area residents simply cannot be expected to be in a position to provide any but the smallest part of the financial resources needed to enter business (GOCA CAP 81, p. 20)."

The GOCA report named several conditions of poverty resulting from lack of economic development: insufficient investment and operating capital, lack of management skills and training, lack of knowledge of capitalism as a concept, and lack of coordination among economic development programs. "The major problem in terms of economic development is lack of commitment on the city's part in attacking this problem," GOCA wrote (GOCA, p. 21). Unemployment resulting from the decrease in traditional employers of semiskilled and unskilled workers was cited (the closing of meat packingplants is the prime example), as was the concentration of unemployment among nonwhites, the disadvantaged, unskilled, undereducated, and the young. Accompanying this is the lack of relevant training programs, and insufficient outreach concerning the manpower training programs now available. The influx of rural workers to the urban areas can create complicated problems in the urban employment market. Rural workers tend to beat out the urban population in Nebraska in finding jobs. The newly arrived rural worker appears to be "motivated," higher educated, knows more about his prospective job, and is generally "more desirable" than his urban counterpart. The urban jobseekers have been generally unemployed for a long period, have little or no job skills, and, incidentally, are often of a minority group.

The second major Omaha problem, GOCA called the "declining quality of urban involvement."

"A field as broad as this is still a vital element in the discussion of causes and conditions of poverty because it is the citizens of the community who must make the decisions which will eliminate poverty, and it is the people who live with the problems that are best qualfied to analyze them." (GOCA, p. 25.)

GOCA emphasized the following as points included in this area: lack of understanding of OEO programs, lack of coordination and cooperation among social planning and social services organizations, lack of adequate direction for groups who wish to get involved but do not know how, and lack of emphasis on social planning by agencies that should be involved. "Our greatest problem is to develop avenues of participation which are at once meaningful and yet do not present barriers to effective action" (GOCA, p. 26.) Sepcifically, the need for improved police-community relations was emphasized as the present major point of contention in this area.

Crime and civil disorder that have plagued urban areas was listed as the third cause or condition of poverty in Omaha. Only Omaha and Lincoln are classified as Nebraska metropolitan cities, with populations over 150,000 (Omaha's population in 1970 is 389,455, Lincoln's 167,972). Lincoln has not reached the point of massive urbanization, and its population is not diverse enough, that it has been forced to face the facts of urban conflict, the human and environmental pollution that are being fought in many other parts of the country. Omaha is in the midst of these problems, however. As the only true urban area in Nebraska, the city has the sprawl, the sectional conflict, and is even reputed to have the organized crime that depicts other major U.S. cities. GOCA emphasized the following points as paramount in this area of poverty problems: First, juvenile delinquency results largely from the myriad of social, political and economic problems that exist in cities. For example, wrote GOCA, "the extremely high unemployment rate (especially among minority youth), employment discrimination, low status, and low-paying jobs lead to heightened frustrations and crime as an emotional and economic response" (GOCA, p. 27). Second, drug abuse is an increasingly threatening problem in Omaha. While the use of "soft" drugs like marihuana can be found throughout Nebraska, Omaha is faced with a growing problem of hard-drug abuse. Heroin and opium are said to be easily available in the city. The direct effect of drug abuse on the rising crime rate in Omaha has not been adequately documented, but preliminary studies have shown very close parallels. GOCA further noted that the conditions of poverty related to drug abuse include the following deficiencies: Lack of strict enforcement of drug laws, lack of useful drug education programs, need for additional inpatient treatment, especially psychiatric treatment, need for outpatient treatment as part of a rehabilitation program, and refusal by the general public to recognize drug abuse as a critical problem in the community.

Lincoln action program (LAP) was in general agreement with the summaries provided by GOCA. LAP investigated the more specific problems in Lincoln, and its findings revealed needs that are typical of urban areas. These included inadequate housing, deteriorating housing, widespread need for vocational and technical training with followup placement and prior surveys to determine need for the skill, computation of correct and vital information regarding numbers and needs of low-income persons in the city, and the other problems, insufficient education, low wages, lack of neighborhood services.

III. The category "social-community problems" includes the services, activities or assistance provided by urban and rural governments for its citizens. Such items as public transportation, housing, and legal services, thought to be standard for U.S. citizens, are often denied to low-income groups. Nebraska has its share of this problem, according to the CAA reports.

Social-community problems might be classified as causes or as conditions of poverty. For instance public transportation service is denied because of a person's inability to pay, or the simple lack of the service, and in turn, it promotes poverty problems among the poor, as by contributing to his inability to find and go to work or find community services. Discussion of the distinctions in definition would be difficult, rather it should be sufficient to recognize the problem as it has been outlined; that is, as a contributory factor in the poverty cycle.

Lack of sufficient low-income housing and low rent properties was mentioned in every report as a poverty problem. The LAP report, based on a Lincoln citywide survey, states that housing is the number one concern in that CAP area. "The major housing problems found in these surveys were high rent, lack of low-rent housing, and dilapidated housing." To alleviate the situation LAP plans to take "every step" to assist with a minimum housing code implementation, and the agency will lend all possible assistance to the Lincoln Housing authority and other organizations concerned with housing problems in the community (LAP CAP 81, pp. 3, 7).

The GOCA report accused the city of ignoring the problem of housing in Omaha. Symptoms include the lack of planning, lack of enforcement of existing codes (which has resulted in an increase in the number of substandard homes from 15,000 to 43,000 in Omaha in ten years), economic limitations for relocation of low-income residents, and lack of environmental services such as community facilities, street lights, sidewalks, and sanitation services. The lack of an adequate transportation system, which means no available transportation to community services or jobs, was also noted.

The Central Nebraska CAP has placed housing as its number two priority after employment. The problem in the five-county area is that of deteriorating and dilapidated housing, which, the CAP noted, "poses a psychological disadvantage toward our efforts to alleviate poverty" (Central Nebraska CAP 81, p. 18). The Mid-Nebraska CAP found the low income housing to be "a definite area of need within this CAA area" (Mid-Nebraska CAP 81, p. 13). Likewise, the Platte Valley CAA is concerned about the large number of substandard units in its area, the high interest rates, and the community tendency to try to solve housing problems only with regard to the elderly. The Northwest Nebraska CAP finds housing to be an important issue for planning. "We recognize the effect of these conditions on the social development of the poverty community as well as the threat to the health of the residents" (Northwest Nebraska CAP 81, p. 5).

Health care is identified as another major problem. In the rural CAA reports, it was consistently noted that the lack of doctors in the areas, combined with the difficulty of obtaining transoprtation, makes it nearly impossible for even the middle income persons to obtain regular medical treatment. The lack of medical attention for the elderly was of special concern to rural CAPs. Doctors are not absent from the Lincoln or Omaha areas, but the cost of health services plagues urban and rural areas alike. GOCA recognizes a need for improved medical, dental and psychiatric care, a lowering of the "practically prohibitive" costs, and a need to improve outreach and outpatient services for the lower middle and lower income groups. In contrast, SENCA describes the public health situation in its area:

"None of our counties has a public health department or offers nursing services to the poor or aged in their homes, the reason apparently being that the county governments do not feel justified in taxing already heavily burdened real estate to support these services. Of course, none of the towns nearby is large enough to provide such services for its residents. This situation distresses many of the thinking citizens of this area, but little besides talking has been done about it." (SENCA CAP 81, p. 6.)

Indeed, the reticence of localities to spend money to provide public services or to match federal funds seems to be a basic barrier to improvement of assistance to the poor.

Another problem area is provision of legal services for the poor. Legal services are seen by almost all the CAP's as a necessity in the efforts to improve the status of the poor. Especially for minority groups in the state, consistent discrimination might be alleviated to some extent. Rural problems also include a lack of lawyers and an attitude of alienation among the poor that no lawyer would be willing to assist them. The latter problem is also typical among the urban poor. GOCA also recognized a lack of sufficiently organized and adequate legal services in Omaha. Problems include lack of legal representation for the poor, discriminatory bail policies and procedures, racism affecting court decisions, and a lack of special youth penal facilities and rehabilitation opportunities. It might be hypothesized that the provision of legal services to the poor would be a giant step in renewing identification with the government and courts, an identification that now seems to be at a low point.

The lack of community organization among the poor is seen by nearly all the CAA's in Nebraska as a major drawback to assistance for the poor. The Nebraska Panhandle CAP has noted the following as among "the major causes being identified as valid": The lack of the means of acquiring valid and up-to-date information in regards to the eligibility requirements, availability and source of various goods, services, aides and general information, and the lack of a way of organizing efforts to break the perpetuation of poverty. In addition, the Panhandle CAP reported that its first goal for the following year was a "CAA restructure" to develop an information and reporting system, to provide an information service to the community by creating the position of Central Resource Coordinator and to develop a volunteer clearinghouse in each of the five Panhandle counties.

Mid-Nebraska CAP wrote that community organization was basic to finding a solution to area poverty.

"Much of the low-income populus within this CAA area has become separated from its communities and the organizations responsible for their welfare. Many of these people still do not believe they can affect the community in which they live * * * lack of organization and participation of the low-income aimed toward a goal of "self-help" is one of the major conditions contributing to poverty * * * either directly or indirectly caused by the lack of participation and influence by those involved, both low income and non-low income." (Mid-Nebraska, p. 8.)

GOCA also commented on this problem. It noted a lack of understanding of antipoverty efforts, and lack of coordination and cooperation of groups who wish to help. An improvement in this situation was foreseen with changes in administrative rules. "One of the most significant social changes in Federal Programs in the last decade has been the legislative and administrative support of the opportunity of poor and minority groups to participate in the decisions which affect their lives" (GOCA, p. 26). The Omaha CAP also noted that methods of disseminating information on community services do not exist in their CAA area. "The causes and conditions of poverty in this section, all of which are some form of community relations, are primary factors in the existence of racism, bigotry and prejudice" (GOCA, p. 26).

IV. The general public attitude regarding poverty was mentioned in several CAP 81 reports as a factor affecting effects to combat poverty. The Panhandle CAP identified as one cause of poverty the "lack of awareness on the part of the general public as to the particular qualities and significance of the low-income syndrome" (Panhandle, p. 5). The lack of recognizance among the middle and upper classes within the CAA area appeared to be a fairly common problem among rural CAP's. Federal statistics show that percentages of poor in the rural populations approximate those in urban areas, but they are less visible due to the environment, rural life styles, and numbers.

SENCA also cited the general refusal to recognize the existence of poverty as a cause or condition. "We believe that (the) low-wage situation is related to another factor which is observable everywhere in our territory and which must be classified as a cause of poverty: the refusal to recognize that poverty exists. This is probably also a condition of poverty in that it affects both those who must get along on low incomes and those who might be able to improve the situation" (SENCA, p. 12).

The Blue Valley CAA said that the negative attitude toward poverty "still continues to be one of our biggest problems. So many residents refuse to admit that poverty exists in our rural area." Statistics point up the fact that approximately 40 percent of the nation's poor are living in rural areas; and in fiscal year 1969, only 28 percent of OEO funds were allocated to rural areas (BVCA, p. 15).

It might be said that the American economic tradition has contributed to the lack of understanding of poverty causes by the general public. For most of the history of the country, a citizen's financial success was taken to be a measure of his personal effort. It was not until recent years that the general perception of poverty as an inherited life style because more prevalent among Americans. Comments on the general public attitude are perhaps extensions of the problem of community information flow mentioned earlier. Nevertheless, it seems necessary to mention this separately, since the educatory process for all citizens regarding poverty in America is perhaps the most vital in the effort to promote a long-range solution to the inequalities of economics and society in this country.

V. The fifth category of "individual problems of the low income" includes such items as education, alcoholism, and nutrition. Although sources of the problems cannot be put to low-income persons even primarily, still these problems are grouped in this manner because their effects and solutions can be determined better by the poor themselves.

Lack of education is consistently mentioned as a cause of poverty, mainly because of its effect on the individual's employment and management of his personal affairs. The Blue Valley CAA noted that "very little opportunity for school dropouts to obtain their GED or improve their educational background. (There is) very little opportunity for needed training. However, when personnel become trained, there is little opportunity to put their skilled training to use, due to lack of industry" (BVCA, p. 13). Blue Valley also recommended the implementation of the adult basic education course for the many public school dropouts in the area. The Mid-Nebraska CAP concurred, saying that its area has "a large percentage of its adult population 25 years of age and over, with less than a ninth grade education (31 to 41 percent in the five-county area). The level of educational achievement in each county or community is in general a reliable indication of socioeconomic status of said county or community" (Mid-Nebraska, p. 5). GOCA also named educational deficiencies as a contributor to poverty. But that agency pointed more directly to the school system as the source of the problems. GOCA charged that Omaha public schools had a $100 less per capita expenditure than the national median, difficulty in finding and retaining competent staff, imbalance of services between inner city and suburban schools, and de facto segregation. As with the rural CAP's, GOCA generally agreed that increased educational opportunity can do must to alleviate conditions of poverty.

LAP was mainly concerned with high school dropouts and the problems with vocational training:

"Education problems indicated through the LAP surveys are teacher-student relations, student drop-out rate and lack of sufficient vocational education * * * low-income people have become extremely vocal concerning the number of cases in which vocational education has not culminated in placement. Several agencies and a number of low-income people have expressed the frustration of finding a need for expanded or addition training courses that are unavailable. There appears to be a lack of sufficient demand in some cases to warrant the expenditure of funds. (LAP, p. 4.).

Alcoholism was mentioned in many outstate CAP's as a major problem among the poor. The disease apparently is most visible in the rural areas in Nebraska, thus many of those CAP's see alcoholism as a major drawback barring alleviation of poverty situations. Alcoholism may well be the result of poverty conditions, not a cause (proof of this needs to be documented, however). Nutrition (or the lack thereof) was also mentioned as a condition of poverty by many of the CAP's. Logically, this is sensible, since the absence of healthy food follows from an inability to purchase it or a lack of knowledge about nutrition. It appears that improvement of these conditions may be greatly boosted as other poverty causes and conditions are attacked.

The causes or conditions of poverty mentioned in this report may appear to be compartmentalized, but on the contrary, they are interrelated to an extreme. Goldenrod Hills CAP writes:

"In the five-county area served by this CAA, there are numerous causes and conditions of poverty. Racism, bigotry, prejudice, suspicion, hatred, apathy, indifference, hostility, lack of human concern and understanding, and all other types of negative attitudes are part and parcel of why poverty exists in our areas. Illiteracy, lack of education, poor public school facilities, lack of higher education, institutional involvement with the poor, unemployment, substandard housing, poor health, failure of public welfare and other social welfare organizations to meet the needs of the poor and numerous other mechanical, technical bureaucratic reasons for why poverty exists in our area could be listed * * *." (Goldenrod Hills CAP 81, p. 4.)

VI. Conclusion. Poverty problems in Nebraska are not as complex as in more densely populated states, but nevertheless they appear to be just as difficult to solve. This is because of the pervasive quality of the two main causes of poverty recognized by the CAP agencies: the decline of Nebraska's rural economy, and the decline of the state's urban centers.

The marked decrease in agricultural jobs in Nebraska during the last decade has been due mainly to increased use of technology and consolidation of farms. Those changes have been caused by the increasing impossibility of making a small operation pay. Two-thirds of Nebraska's counties lost population during the last decade, and five counties actually recorded more deaths than births during the 1960's. This reflects the outmigration of the young people, especially those aged 25-40, who cannot find work in the outstate areas, and leave because of economic necessity.

The problem of disproportionate numbers of elderly persons in Nebraska, especially in rural Nebraska, is a direct result of the outmigration of the young. Public support of the elderly and assistance with their social and community needs is necessary, but as the proportion of that group becomes greater, and by all indications it will continue to do so, the burden on wage-earning residents will become heavier. The proportion of elderly persons will continue to grow as long as rural areas of the state do as little as they are presently doing to encourage diversification and provide community services for the citizens. CAP reports noted the lack of everything from recreational facilities to doctors in rural Nebraska. As long as the wage-earning young people cannot find sufficient work in outstate Nebraska, they will continue to leave, taking their children, and leaving a smaller, more unproductive population. The eventuality of ghost towns in many parts of the state is just a matter of a generation away.

Rural Nebraska has as persistent a poverty problem as do the cities, but the poor are not as visible in rural areas. They are living there, however, and they are the farmers who are losing money, the Mexican Americans in the western part of the state, the Indians in northern Nebraska. While the CAP 81's did not specifically discuss the problems of these groups, the reports reflected their continuous unemployment, very low income levels, persistent dependence on the government, and a comparatively unpublicized problem of discrimination that is very real. The Mexican American population group forms a substantial minority in the western part of the state. Good community relations between the whites and the Mexican Americans, and between whites and Indians, could provide improvements and assistance for all citizens, but satisfactory relations are now either nonexistent or deteriorating. Discrimination and ignorance on the part of whites perpetuates the minority group poverty and lack of opportunity in many parts of the state. These attitudes need to be drastically revised. At least one may say of the Omaha and Lincoln black-white problems that they are recognized by the public, and it has been accepted generally that action must be continued to alleviate such situations.

Lincoln and Omaha are growing at healthy rates, attracting many new businesses and many of the young people who are leaving other parts of the state. Yet businesses that used to employ semiskilled or unskilled workers in Omaha are no longer around, and so whole groups are being left unemployed, with no skills, and no prospects for retraining (Manpower Training is functioning in Nebraska, but not at near the level required to take care of all who need it. This is apparently a common problem among the states).

Despite all this, the possibilities for progress exist in Nebraska. Hypothetically, one might say that states like Nebraska possess the greatest possibilities for a close cost-effectiveness ratio, greater than the more populated, more complex states. Also, the relative simplicity of governmental setups and poverty situations (here we stress the word "relative") should provide the opportunity in the sparsely populated states to more easily outline poverty groups and causes, and determine cures. A study prepared by the Midwest Research Institute entitled "State Economic Opportunity Office: An Intergovernmental Study," contains corroboration for this hypothesis (see especially chap. VI).

Receptivity of Nebraska residents also may be more positive than many people anticipate, because (1) the prospect of assistance to low income people in Nebraska is not as threatening to residents as it is to people in more urbanized areas who feel economically threatened by job competition new sources, (2) Nebraska's populist tradition may lend itself well to acceptance of grassroots assistance to the poor, even using money from the federal pocket, as long as it is locally administered, (3) even though people are not overjoyed at accepting funds from the federal government, and thus being committed by that acceptance, still, money coming into Nebraska is recognized as a good thing for the state.

Judging from the CAP reports, the agencies are concentrating on the smaller, more specific problems within their areas, such as health care, transportation, and educational improvements. This is to be expected when we consider that (1) those are the questions of most immediate concern to the area citizens, (2) each CAP can only accomplish what the locality will allow, (3) and public consciousness of less tangible community problems and their causes is very slow to materialize. Widening one individual's perspective is very difficult—altering perspectives of a group is that much more difficult. The thought patterns of Midwesterners have developed without the benefit of as many alien stimuli as were available to Easterners or Westerners. Perhaps continuing expansion of communications will better prepare the isolated inland dwellers for changes in years to come.

We must ask, however, whether it is the duty of a government to indulge in attempts to change ideas by direct effort, no matter how odious certain local concepts may appear to be. The government may present facts and options and enforce the law of the land, but if finally someone within the government must make a value judgment in behalf of the citizens, then the democratic process has failed. An example of this involves the low-income citizens: the poor minority is not able to obtain the response from government that other citizens can obtain. About 20 percent of the population of Nebraska is classified within this minority. Decisions regarding their relationship with the government and the kind and amount of services they will receive are made for them. No consultation is made prior to instigation of action. One of the bases for development of the OEO approach to local assistance was the democratic premise that localities and the poor could best determine what needed to be begun on behalf of the poor. Continued emphasis on this aspect of federal funding and de-emphasis of nationwide planning would insure more and more citizen participation in the decisionmaking processes of this country.

Governments cannot take it upon themselves to mold the will of the mass of citizens into one nice, pliable, neutral ball of putty that will aways agree, never question, and live life in a comfortably uniform manner. But governments can try to make it easier for people to live the way they choose by providing help to the poor, and by protecting the rights of all citizens.

(Additional statement filed for the record is as follows:)

STATEMENT OF MICHAEL T. UBERUAGA, EXECUTIVE DIRECTOR, PLATTE VALLEY COMMUNITY ACTION, GRAND ISLAND, NEBR.

It appears that the outstanding problem in rural development in this geographical area is the low prices that farmers receive for their products in relation to the amount of their cost and labor involved. Agriculture and agriculture related business appears to be the Number One industry in this area. Through low prices to the farmer the total rural development and income is suppressed. It is felt that since this is the basic problem that many of the other related problems of Rural Development are symtoms of this basic problem. This problem could be solved over a period of time should farming once again become a profitable business. The following solutions to this problem are offered:

1. Raise farm prices to at least 90 percent of parity.
2. Give farmers more bargaining power thorugh the passage of bargaining bills pending in Congress and other new legislation that may be made in this area.

It is felt that by attacking this basic problem of inadequate prices to the farmers many of the symptoms of poor rural development, such as inadequate transportation, outmigration of population, lack of adequate health services, low wage levels, and lack of industrial development, would thereby promote natural increases in the rural economy. The rural areas of the country would then be more attractive to individuals and industry and thereby encourage an inflow of population rather than the current outmigration. Rural Development should, therefore, be a high priority as it could be a major factor in preventing more urban problems through the balance of population and economy.

Senator CURTIS. We now call to the witness stand Mr. Phares, Hon. Robert A. Phares, mayor, city of North Platte, Nebr.; Leon F. Settles, mayor, North Bend; Robert Sargent, mayor; Beatrice; and C. A. Thomas, mayor, Scottsbluff.

Gentlemen, I believe it would be helpful to the reporter if you begin on my far right and identify yourself.

Mr. THOMAS. C. A. Thomas, mayor of Scottsbluff.

Mr. SARGENT. Robert Sargent, mayor of Beatrice.

Mr. SETTLES. Leon Settles, mayor of North Bend.

Mr. PHARES. Robert Phares, mayor of North Platte.

Senator CURTIS. You each have a statement?

Mr. PHARES. Yes, we do.

Senator CURTIS. All right, your full statement will be received. If any of you feel the quickest way will be to read it, that is all right. If any of you wish to summarize, that will be all right.

We will begin with you, Mr. Phares.

STATEMENT OF ROBERT A. PHARES, MAYOR, NORTH PLATTE, NEBR.

Mr. PHARES. Thank you, Senator Curtis and Senator Bellmon.

I admire your tenacity and patience in hanging on this long and in that interest I will try to be as brief as possible.

I think many of the things in the written testimony have been touched on today and I want to just talk about two or three things I think are at least of prime importance in my mind.

We talk about rural development as far as industry is concerned, at least as it relates to a community my size, about 20,000, in my particular area of Nebraska. One of the real severe problems we have is underemployment. People who would like to remain on the small farms and small ranches in our part of Nebraska simply have not the capital resources or whatever to expand and continue to stay in as productive members of agriculture. And I think we need to be looking at the type of industry coming to our area that can offer supplemental employment and supplemental income to these people.

I share and echo the feelings I have heard today about the type of industry that can use local products and can continue to stop some of the outflow of products that should and could be processed in Nebraska providing these kinds of additional jobs and additional industry.

I think we need to throw up a red flag of caution, however, in our zeal to attract industry. One of the things that makes industry like to look at rural communities is the quality of life, the nonpollution of the air and water, et cetera; and I think we have to have a careful and considered approach to be sure that we do not destroy the very things that attract industry to come to our communities in our zeal to have them there. I think we need to be very sure that the type of industry we try to attract is compatible not only with the land use but compatible with the attitudes of our people so they can be accepted and be entered into our local community.

One of the largest problems, then, on the other side of the fence and a couple of things I would like to talk about in that regard, what problems come to the municipalities if industrial development does come and more people come within the cities? One of the problems is very serious at least in our area and I am sure in some of these other gentlemen's communities as well. We have a serious health care problem. Even in cities of 20,000 as well as those of 2,000 we have a doctor problem of providing adequate medical care for these people who would like to live in our community. The average age of our physicians is too high; the patient load is too high, and some way, somehow, we must find some method by which we can update our facilities and attract more of these medical people into our rural areas. I think it is a thing that is rapidly approaching some crisis areas.

Then in another vein, the communities of our size have a real problem in dealing with Federal programs that are available to assist us. We simply cannot afford to have a staff to specifically devote themselves to the availability of Federal help and Federal resources in these areas. Even with the help from our league of municipalities and from other private companies, we are faced with what seems to be a complex and unassailable bureaucracy as we look at the various Federal programs. The paperwork is voluminous. Many of the programs seem to overlap, seem to duplicate; some are not funded.

I am quite confident that some of the problems we have tried to solve, there are programs that would have helped us had we been aware of them. There seems to be a lack of coordination among Federal agencies and a lack of one agency understanding what the other agency is doing and thereby helping us by referring us, if we are in the wrong place, to someone that can perhaps assist us better.

There seems to even be lack of understanding and cooperation within the same agency. Some Federal agencies appear now to honestly be trying for better coordination and we are as grateful as we can be.

Our congressional delegation has been extremely helpful in trying to unravel some of these problems for us and we feel sometimes we have overburdened perhaps your office in trying to explain to us what is difficult for us to understand about the complexities of these Federal programs.

I have never questioned the motive of the Federal Government in trying to assist us with the problem but I have to find some fault with the method. I am certainly not an expert on how it ought to be done, but I very strongly feel there must be a better way and I think that the better way we are looking for is some way in which we can together solve this problem so that it is something that you on a Federal Government level can live with and something that we on a local government level can also live with and even more importantly, so that it is something we can understand and therefore something we can work with and take advantage of.

I think that the motives have always been the same—some way to build soundly, try to solve problems—but I think sometimes our method has not been quite consistent with out motive, and I would hope that as we look at new approaches to it—we talk in grand terms about revenue sharing and I think we need to be careful in this regard, that we don't swing the pendulum too far and we don't take some of these things that ought to remain under Federal control out as a broad sweep of the brush and say that all programs ought to be involved in revenue sharing because I don't believe that. I think some of them justifiably belong under Federal control but there must be a better way in which we can share together.

This is the thrust of the summary that I think I would like to make.

(The prepared statement of Mr. Phares is as follows:)

Mr. PHARES. I shall attempt to keep my remarks as brief as possible and to address them to the subjects indicated in Senator Humphrey's letter of invitation although I will be happy to touch upon any area that you desire in the question and answer period.

In preparation for this meeting I have met with a cross section of agribusiness leaders of our local community as well as thsoe people involved in the Chamber of Commerce Development Corp. efforts of our community and our city council. I hope what I am going to say will be an accurate representation of their feelings and will be a bipartisan report of our attitude of the problem in North Platte, Nebr.

First of all, let me say that we are well aware that out-migration from rural communities has created problems in varying degree across the country. The problems in our specific community have been somewhat less than others primarily because there has been less out-migration and because the community has moved together to try to do something about the problem.

Our agribusiness people seem to feel that the large capital outlays required for farming-ranching today plus the small profit margins seems to require constant expansion in terms of land, equipment, or now techniques, and process, that is, irrigation, in order to remain, profitably in agriculture. Many operators today simply cannot maintain these standards, cannot find the necessary capital sources and therefore drop away and out-migration occurs. Others prefer to remain on the farms and ranches that are small, would rather stay than leave, but badly need sources of supplemental income. Therefore, we feel that localized industry, of the type that could use locally produced products and employ some of these people to supplement income should go a long way toward stemming some of this out-migration. There seems to also be a companion problem of those operators who wish to stay and expand of finding capital sources, of entering into Federal programs only to find that their plans cannot materialize because the program has no funds, or has exhausted its supply. We would suggest that another look at the type of programs we are funding might be in order to be sure we are funding those which offer the most promise for healthy agriculture.

Actually, gentlemen, we do not feel that we really require any outside assistance in the attraction of industry. We think that our own efforts of telling people about our natural resources, our labor supply, the type of people that we have in the Midwest who are cooperative and productive and the quality of our environment coupled with industries obvious desire to relocate in areas such as ours will solve these problems.

We are also conscious of the fact that our approach to attracting new industry must be a careful and considered one lest we destroy what we have to offer in the process of attracting the people and firms to share it with us. Therefore, at least in my community, we have made a considered effort to determine exactly what types of industry we could attract in terms of our natural resources and labor supply and what type of industry we felt would be compatible with our existing land use, environment, and attitudes of our people. Our industrial development efforts have been geared in these directions. We have been successful in adding over 300 new families to our community since January of this year and this has gone a substantial way toward reversing any out-migration that might have existed prior to this time.

I should hasten to add that with this kind of success comes the attendant problems that your committee is looking into. We are faced in North Platte with how best to provide related services to these new people who have come to our community. We have a problem of housing. We do not have an adequate supply of rental housing nor is there an adequate supply of new housing in all price levels to appeal to these people. There also follows the related problems of extending police and fire protection, sewer, water, streets, the construction of schools, and the providing of medical facilities to serve an increasing population.

Actually, our most critical problem at the moment in bringing new people to our community is providing them with adequate health care. We have a serious doctor shortage, a high average age of present physicians, way too high a patient load per physician and no new, young physicians coming into the community. Our hospital facilities are in need of attention. We are, in cooperation with the two hospitals and the medical society, beginning a concentrated attack on this problem area. Availability of Federal funds for facilities will be of prime concern as we progress.

We, in a commnity our size, do not have the staff to have a department specifically devoted to the availability of Federal help and resources in these areas and even with the efforts of organizations such as our league of municipalities and other private companies, we still are faced with a complex and almost unassailable bureaucracy of various agencies. The paperwork is voluminous. Many of the programs seem to overlap and duplicate, many are not funded and we are confident that there are several that were designed to help specific problems that we have faced that we are not even aware of. There seems to be a distinct lack of coordination among Federal agencies and a distinct lack of one agency understanding what other Federal agencies are doing, even in related fields. Even further than this, there seems to be a distinct lack of understanding and cooperation so that sometimes programs—even within the same agency—are not always understood by others within that agency and therefore, referrals and coordination do not occur.

Despite this our local community, we feel, has been fairly successful in our efforts, with much help and cooperation of our congressional delegation, in receiving a share of our Federal tax dollars returning to our community to help the local programs. I am not expressing my concern because of a desire to achieve more total dollars but because I feel that there are many communities who have been completely without assistance and because of my firm conviction that there must be a better way in which we can more effectively return Federal tax dollars to the local source.

I have never questioned the motives of Federal Government in wanting to assist both State and local government but I must find some fault with the method that has been chosen. I am certainly not an expert on Government programs or even on fiscal policy but I do feel that a more effective job of returning our Federal dollars to a local level without the complexities that are now inherent must be accomplished if we are going to really, effectively, help local communities solve their own problems. If it follows that we, as local elected political leaders, are the closest to our constituent geographically then it should also follow that we ought to be most easily held accountable for our actions whether it be with policy or dollars. I think that this accountability would remain in effect with a more effective program of revenue sharing.

State and local governments have broadened their tax base, have looked elsewhere for sources of revenue to support the activities of local government because of the collective feeling that the property tax was even presently over burdened. As long as this remains a prime source of revenue for our schools, so long as our population continues to increase and our educational demands increase with it, we must continue to find other ways in which at least some political subdivisions can become less demanding upon the property tax as a source of revenue.

Gentlemen, may I close by thanking you for your interest in listening to our problems. I would invite your further questions. I would request that whatever direction Federal assistance to local and State communities may take in the future that you keep in mind that our motives are the same, to solve problems and to soundly build for the future—and that our methods then must be consistent with those motives. I look forward to a time in which a method becomes a reality that will return Federal tax dollars to local communities to be put to work through a program that can be easily understood, and simply administered, a program which is consistent with the motive that generates the program, and a program that can make the motive become reality.

Senator CURTIS. Mr. Settles?

STATEMENT OF LEON F. SETTLES, MAYOR, NORTH BEND, NEBR.

Mr. SETTLES. Senator Curtis, Senator Bellmon, Bob Phares and I sound—what I have here sounds like we have gotten our heads together ahead of time, but I think we all realize the same problem.

I no doubt represent a typical small community interest. Our whole county is not much larger than the total population of either one of the three other mayors' cities. I come from a 1,350 population, 34,000 in the county. Our problems are the same as North Platte's, except I think a little bit more of a problem.

You are interested in how our rural communities can attract new industry and how we can stem the serious outmigration of our people. We are faced with inadequacies of law enforcement, medical services, flood protection, parks and recreation, solid waste disposal, sanitary sewage treatment, schools, highways and roads, and comprehensive planning.

Now, the problem of outmigration can be solved purely and simply by attracting new industry and in expanding our present industrial firms, but this merely compounds our problems as I mentioned above. Our rural communities could support a tremendous growth in industry, but we must have a better form of government in order to be in a position to handle this influx of industry. Our system of small cities and villages and small townships and counties is antiquated and must be revised into a more workable form of government.

Recognizing that we cannot do the job individually, and we accept this entirely, the officials of North Bend have united with the remaining nine cities and villages in Dodge County and formed an organization called the Dodge County Municipal Officials Association. We have been working together under this combined unit for about 2 years on an informal association basis without funds or paid staff.

Our problems are the same as the other towns and villages in Dodge County and the other counties in rural America, yet we are not in a position to each individually solve these problems.

In order to compete with cities such as Lincoln and Grand Island and Omaha, we must form an organization comparable to Lincoln and Grand Island in size and stature. We are going to do the job. The council of governments, the original council being represented by all of our small rural cities and villages and counties represented by the people in these counties, banded together would basically be able to handle the problem mentioned above. The large cities such as Omaha, Lincoln, Norfolk—and they are small in reality to the rest of the United States—have men on their staffs whose entire studies are to secure available grants from the Federal Government and they are securing millions of dollars for these cities.

Speaking with several of them at the league meetings, even our smaller cities of 25,000, 30,000 population are getting $6 million and $7 million in grants per year. Granted these full-time directors on this are paid fairly well but they are returning many times the dollars spent for them in benefits for the cities.

It is completely unrealistic to visualize a city the size of North Bend being able to compile the paperwork even to secure one of those grants However, the council of governments makeup of two or three counties with 20 or 30 cities and villages could hire the proper person or people to do this job and secure the benefits we need.

I propose that steps be taken by the Government to recognize this form of government, and they do in a limited way, and to furnish grants for securing qualified directors and a staff who can act for these various rural communities.

I also suggest possibly no moneys be made available from the State or Federal Government to individual cities and counties unless they are formed in this type of government. It is my hope that this would begin to eliminate the overabundance of the political subdivisions with many duplicating efforts all drawing on the resources of our taxpayers.

Wednesday evening the people in Fremont had a meeting for the express purpose of performing such a type of government in order to attempt to solve some of the problems mentioned in the first section of this statement.

I am happy to say this. My report was made before the Wednesday night meeting. We were successful. We set up the committee on the 21st of this month and we have the promise from the various cities and counties that we will have a council of governments.

If funds could be made available for the first 2 years, possibly to cover the cost of a director and his staff based on the formula of population and area, since we deal with more areas mentioned by several witnesses today, this nucleus could then hire subsequent personnel as needed to actually do the details and these personnel could be paid by the assessment levied on the members of the council of governments. With large unemployment of many qualified teachers and an overabundance of college graduates in many fields today, a grant to these people to take courses as mentioned here by Senator Bellmon, referring to what was being done in this respect, these people could take short courses to orient themselves in city, county and State government and would be available and qualified for these many councils of government throughout our rural communities.

It has been mentioned several times here today that medical assistance—Bob touched on it briefly for the rural communities. This is indeed a real problem and is one of the reasons why many industrial firms have backed out of a potentially good community because their personnel do not want to move where they cannot get medical assistance. Young doctors and medical students also feel they do not want to be general practitioners but want to belong to a group of specialists working for a hospital or clinic. These people could be attracted working for a council of governments.

Fremont now has one rural doctor in the entire Dodge County.

On the subject of flood protection, which I mentioned, I suggest considerable thought be given to the "Operation Foresight" program making it available to do necessary work prior to the actual emergency when conditions are ideal, rather than doing the work when the cost of such work costs the Federal Government 10 to 20 times what that same work would cost under ideal conditions.

Gentlemen, I express my appreciation to the subcommittee for extending me this invitation to appear as a witness and hope my statement will help to clear some of the answers needed in order to settle the growth of our rural communities and expedite the growth of new industries in these communities. I feel we must have the utmost cooperation and assistance from the Federal Government if we are to do the tremendous task that lies ahead and we, the officials of the small rural communities, stand ready to give you any assistance at any time.

(The prepared statement of Mr. Settles is as follows:)

Mr. SETTLES. Your subcommittee is apparently interested in how our rural communities can attract new industry and how we can stem the serious outmigrations of our people which have been going on for several decades.

Every day we hear and see by the news media the complex problems in our large cities, and how these seem to get progressively worse. At the same time, we do not hear very much about the problems of our rural communities, primarily because we are so small that we are not making news in the same sense as the big cities. Actually, our problems on a per capita basis are every bit as realistic as those of our city friends. We are faced with inadequacies in many areas. Some of these are: law enforcement, medical services, flood protection, parks and recreations, solid waste disposal, sanitary sewage treatment, schools, highways and roads, and comprehensive planning (including all planning, zoning, and inspection with enforcement).

Now, the problem of outmigration can be solved purely and simply by attracting new industry and in expanding our present industrial firms. However, the minute we begin this process, we have compounded the problems of all the forementioned areas many times. Our rural communities could support a tremendous growth in industry, but we must have a better form of government in order to be in a position to handle this influx of industry. Our system of small cities and villages, and small townships, and counties is antiquated and must be revised with a more workable kind of government.

As mayor of North Bend, a city of 1,350, located in Dodge County, with a population of 34,782, I am aware that it is just physically impossible for a small city and/or small county to solve the problems I have mentioned above.

Recognizing this serous problem, we, the officials of North Bend, have united with the remaining nine cities and villages in Dodge County, in a combined organization called the Dodge County Municipal Officials Association. We have been working together under this combined unit for about 2 years on an informal association basis without funds or paid staff. The problems which face North Bend are no different than those facing Scribner, Dodge, Fremont, or the rest of the cities and villages of Dodge County. Yet, we are not in a position each individually, to solve these problems.

We must realize that in order to compete with cities such as Lincoln, Nebr. or Grand Island, Nebr., we must form an organization comparable to Lincoln, Nebr., or Grand Island, Nebr., in size and stature. We must form a council of governments or regional council, or whatever we want to call it, where a representative from each of these cities and villages, and the county band together with representatives from other counties and other cities from these other counties to form a larger form of government. It will be basically possible for this council of government to handle the problems mentioned in the first part of the statement.

At recent meetings of the Nebraska League of Municipalities, we heard from men on the staffs of large cities such as Omaha, Lincoln, Norfolk, whose entire duties are to secure available grants for these cities. These are men who are paid a very attractive wage and in turn are doing a fine job for these large cities. They are securing from the Federal Government millions of dollars in grants for these cities. I have been told by these men that to secure a grant for a specific program, it normally takes a pile of paperwork 6 feet high. Can you visualize a city the size of North Bend, Nebr. with a total assessment of $2 million being able to do this job, or even being able to afford a man to do this job? However, it is feasible to imagine that a government of two or three counties together with the 20 or 30 cities and villages in these counties, representing a population of 75,000 to 200,000 people, could hire the proper person or people to do this type of job and to secure the benefits that we need.

I propose that the Federal Government take steps to recognize this form of government and to stand ready to furnish uncomplicated grants to these organizations so they might secure qualified directors and staff who can then begin to act on behalf of these various rural communities (let's say, for example, Dodge County, Washington County, and Saunders County) in order to secure necessary grants and other revenues from the State and Federal Government which may be available. I also suggest, possibly, that no moneys be made available from State or Federal Governments to the individual cities and individual counties in these rural communities unless they are formed together in this type of organization and all moneys are funneled to these council of governments which are represented by the people in a larger voice of government. This could be the beginning of eliminating the overabundance of political subdivisions, many duplicating their efforts and all drawing from the poor taxpayer who just can't keep up with all the demands of all of the many agencies on his tax dollars.

Wednesday evening, September 8, 1971, a joint meeting of all the cities in Dodge County, Washington County, and Saunders County is being held in Fremont, Nebr. This joint meeting is being held for the express purpose of attempting to organize such a council of governments in order to attempt to solve some of the problems mentioned in the first section of this statement.

Again, I repeat, I think that the staff of the council of governments should be handled by an uncomplicated remuneration grant for at least the first 2 years, based on a formula of population plus area. An organization such as this could employ personnel, one, two, or three, as needed or they could hire either a profitmaking firm or a nonprofit firm to head up this council and to handle the job for them, and subsequent personnel needed to actually do the details could be employed and paid with assessments levied on the members of the council of governments.

Questioning where the available manpower would come from to staff these councils of governments, I recall that we are faced with a huge unemployment made up of many qualified teachers and an overabundance of college graduates in many fields. I would think that a grant to these teachers and other college graduates to take courses as needed to orientate them in the matters of city, county, and State government would thereby make them available and qualified for employment in the many councils of governments throughout our rural communities.

I am convinced that once our larger organizations of governments are established and the personnel are there and the money to pay them readily available, these people working full-time, can do much to solve most of the problems which would be involved trying to get new industry and in improving the facilities as mentioned previously toward handling these increased populations. When you realize the tremendous job being done in our small cities and villages by our elected officials at no pay or practically no pay, you can certainly visualize the increase in accomplishments with these full-time personnel.

I think that my council of governments approach, with Federal financing, could solve many of the problems mentioned above, by being eligible for available Federal grants and revenue sharing and being capable of competing for these funds.

Speaking on problems of medical assistance for the rural communities, I know that this is a very important problem and is basically the reason for many decisions of industry to retreat from a potentially adequate rural community. However, I think that my concept of a council of governments, federally financed, would be able to compete with larger cities for these doctors and could attract teams of doctors and possibly establish clinics within these smaller rural areas. This would possibly be a solution to the needed medical services just as it would for law enforcement, sanitary waste disposal, or any of the other problems plaguing a small independent community. In visiting with many young doctors or medical students, their feeling is that they do not want to be a general practicing country doctor, but want to be a group of specialists working with a clinic or with a hospital.

On the subject of flood protection, the city of North Bend has been very fortunate in that the Corps of Engineers have been available twice in the last 3 years to build emergency dikes for us under the Operation Foresight programs. However, I question that this is the proper way to handle flood protection inasmuch as Operation Foresight is not available until such time as the water is threatening the rural community or the water is already pouring into the community or will be there in hours. Personally, I believe the program should be called Operation Hindsight, although I am certainly not meaning to find fault with a program which has given us our first flood protection in North Bend in 20 or 30 years. I would suggest that considerable study be given toward making Operation Foresight available to do the necessary work prior to the actual emergency when conditions are ideal rather than doing the work when the cost of such work will cost the Federal Government 10 to 20 times what the same work would cost under the ideal conditions.

Gentlemen, I wish to express my appreciation to your subcommittee for extending to me this invitation to appear as a witness for your subcommittee at this hearing and hope that my statement will help to clear some of the answers needed in order to accelerate the growth of our small rural communities and the expedited growth of new industry in these small rural communities. I feel that we must have the utmost cooperation and assistance from the Federal Government if we are to do the tremendous task which lays ahead of us and I am confident that our elected officials and their staffs will continue to serve our Government so ably. We, the elected officials of the small rural communities, stand ready to give you whatever assistance we can at any time or any place.

STATEMENT OF ROBERT J. SARGENT, MAYOR, BEATRICE, NEBR.

Mr. SARGENT. Senator Curtis, Senator Bellmon, it gives me great pleasure to have this opportunity to express my views on rural development to your subcommittee. Before I go further, I would like to say I am a part-time mayor. I operate a retail business and I was employed in business for 19 years and spent 19 years in the wholesale field and I am well qualified to know what the rural people are up against.

I would like to say our city of Beatrice is located about 40 miles south of Lincoln and we have a population of 12,389 peaple. We have had a little growth in the last 10 years but our county which is Gage County suffered a loss of people over the past 10 years.

We believe that by the nature of our location, the economy of our city is irrevocably linked with the agricultural economy about us. In order to improve the economy of rural America, the Federal Government should initially concentrate its efforts to achieve partity of income for our Nation's farmers with other segments of our national economy. Our Nation's farmers have been caught in a cost-price squeeze for many years and increased price supports for agricultural commodities is an initial step that could be taken and would have immediate results on improving the economic health of rural America.

Other steps the Federal Government should take to improve agriculture include maintaining the high level of agricultural research to aid farmers throughout the country and encouraging agricultural research by private industry. The sharp decrease in the number of farm families must be stemmed in order to preserve a viable rural economy. Although many parts of the State and Nation have greater consolidation of farming than our area, the increase in the size of farming operation is readily noticeable here. Low-cost Government loans should be made available to small farmers in order to insure the continuance of a well-balanced farm economy and to reduce the outmigration of the farm family.

Regarding industrial expansion, such activity is mandatory to achieve a better balanced economy in rural areas. Our city has several industries successfully operating at the present time. One area of industry expansion that is overlooked many times and that should receive equal consideration to the acquisition of new industry is the expansion of existing industry.

A program providing low interest rate loans to industries expanding in rural areas or locating new plants in rural areas would definitely have a favorable economic impact on our area. Such a program could be administered through the Small Business Administration and if low-interest loans were made available for these industries, our economy would become more balanced and as a result healthier.

I would like to just add here, I think ex-Governor Tiemann covered that subject so well that nothing needs to be said more other than small industry, large agricultural business, farm-related agribusiness have been helped but when we are helped on the basis of 8.5 percent interest, our profits are almost impossible. So I believe that there should be long-range financing through the governmental agencies that would not be at the premium rates of interest.

I will continue with my text.

It is my feeling that high priority should be placed on agriculture-related industry such as food and fiber processing, the reason for this being that we have the raw materials readily available in our area thereby eliminating much of the initial transportation costs involved in other types of industry.

Transportation is another area that deserves high Federal priority in rural America. Being 40 miles from a four-lane, controlled-access highway places our community at a definite disadvantage for industrial prospects in relation to those communities located on such highways. State plans for an expanded highway system of this nature have been formulated. However, additional Federal participation in highway funding could accelerate the construction of such highways and improve our rural economy. Expanded air transportation is also desirable so that easy access to air travel and freight facilities could be enjoyed by new and existing industry.

The tools are available with which to provide community facilities, such as schools and hospitals for rural communities. However, the level of Federal funding for such new facilities should be raised so as to provide an adequate number of such facilities.

I would like to depart from my text and say in our particular community 4 years ago we were approved for low rents, low-income housing. We have been in correspondence for 4 years. Our pile of correspondence becomes thicker and the only answer is still no funds. So this is why we think additional funds, when they are made available or commitments are made, we shouldn't have to wait 4 years to expedite.

Government programs to train doctors and dentists should also be examined so that adequate numbers of these professionals are available to serve rural communities. A Federal program to finance community recreation centers would be of advantage to our city. Such a center could be helpful in attracting new industry and improving the quality of life in our city.

In summary, increased Federal participation in the economic expansion for rural America is necessary to retain many fine young people that grow up in our communities, but immediately after completion of college or technical schools move elsewhere. It is my belief that we enjoy an attractive way of life. However, without adequate job opportunities and healthy economic advantages available to new and existing industry, we cannot expect economic growth nor maintenance of the present population.

Federal cooperation with business and local government is necessary to provide for the future needs of rural America.

Thank you, sir.

Senator CURTIS. Thank you.

Mayor Thomas?

STATEMENT OF C. A. THOMAS, MAYOR, SCOTTSBLUFF, NEBR.

Mr. Thomas. Senator Curtis, Senator Belmon, I am going to submit my statement. Much of what I have to say would be repetitious so I will just hit the highlights here and say that the only unique thing about our area is the fact that we are out in the altitude area where we are in a seasonal 136-day growing season. The cost of production of sugar beets and beans and potatoes, et cetera, is very high and the cost of producing these crops and the labor cost is high and therefore the return as usual to the farmer is not what it should be.

We need low-income, low-interest loans not to exceed 6 percent for farmers in order for them to make it today. Our farmers, I think, if they hadn't saved up some money in the depression would have a difficult time getting through these good times. However, we have the production; we have the fertile valley, ample water. We have new hospitals, too, which are under capacity. We have power; we have light; we have all the tools except the jobs for the young people when they graduate from our schools. So we need preferably not necessarily for cities but—we have the Gering-Scottsbluff Industrial Development Corp. who needs the tools to finance industrial sites. You have the IDA bonds in which you can finance a specific project on an 80–20 basis, but what they need is industrial sites and to pipe the sewer water and power to the sites because today when an industry comes on a site they want it right now. What is it going to cost me? How much is it going to be per acre? What is the price going to be?

If you do not have it immediately available they will look elsewhere. So we need those funds to develop the natural resources that we have.

We have to the south of us, of course, the wheat table, to the north of us ranching and cattle. We have adequate packingplants to process that and they have plenty of room for expansion.

Another thing we could use, we have a $7 million facility out there, a liberal arts college that is now defunct. It could be turned into an agricultural college and to keep our young men at home, go to school, and perhaps who could not afford to come down here to this end of the State.

Thank you very much for your consideration.

(The prepared statement of Mr. Thomas is as follows:)

Mr. Thomas. The area I represent is somewhat unique in that we live in the extreme western part of Nebraska. The altitude of 4,000 feet presents a short growing season of only 136 days.

We grow sugar beets, corn, alfalfa, beans, potatoes in the valley and on the tableland to the north and south of us, cattle ranching and wheat raising are predominant.

We have an unlimited supply of pure water, air, sunshine, and fine schools, including four grade schools, a junior high school, a new 2 year junior college, and a new senior high school.

We have a new West Nebraska General Hospital with 117-bed capacity, financed with $1,400,000 in Hill-Burton funds and the other 60 percent with first mortgage bonds. We also have the St. Mary's Hospital with a 100-bed capacity financed by the Sisters of St. Francis. Our new West Nebraska General Hospital is operating at approximately 80-percent capacity and St. Mary's at 55-percent capacity, so we have ample space for expansion.

Our new junior college is financed by issuing revenue bonds bearing 4.35 percent interest and paid for by a countywide real estate tax mill levy of 5 mills.

We have the Great Western Sugar Factory which operates about 3 months out of each year, bean elevators that are seasonal in their operations. We have four meat packing plants that operate the year round, and we have one farm machinery manufacturing plant that employs a good contingent of 500 people the year round.

However, we still lose the majority of our young people after graduation from high school due to lack of jobs. We need more solid year-round employment to retain our young people. We need those industries that will package and sell our natural resources, such as food packaging plants as well as other diversified industries.

We have ample industrial development areas, ample water, natural gas, and electrical power at advantageous rates, and a good labor market. We are handicapped by high transportation costs due to our distance from major cities.

Our young rural farm youth leave the farm due to the almost impossible cost of purchasing farmland, purchasing farm machinery, and the high interest rates charged them for farm operating capital.

Farm loans now bear interest rates of from 8 to 9 percent, even with farm governmental subsidies, a rate of 6 percent is all they can bear. With the high cost of land, machinery, loan interest rates, farmers today keep renting more land as they must have volume to survive.

Our wheat farmers are getting the same for a bushel of wheat today that they received 31 years ago. The cost of a tractor 31 years ago was at least five times less than it is today, so consequently the farmer must farm approximately five times as many acres to provide the income necessary to sustain his farm operations.

We need agricultural colleges to train young potential farmers in the proper management of their farm operations. We have a private college facility now standing idle, having failed as a liberal arts college. This facility would be a natural for the extension of our State agricultural college. Many young farmers cannot afford to travel across the State to Lincoln, but if a local 4-year agricultural college was available, most would take advantage of this educational process and equip themselves to cope with today's modern techniques.

Further, our farmers need 90 percent of parity in addition to subsidies to make ends meet.

We have a Scottsbluff Payroll Development Foundation that seeks constantly to bring new industry to our area and has been somewhat successful in bringing in a few industries. In a small city, it is difficult to finance new industrial sites and provide the utilities thereon. Some form of Government help could be used to finance the purchase of industrial areas and provide water, sewer, and other utilities until the areas are developed into actual industrial operations.

Senator CURTIS. Senator Bellmon?

Senator BELLMON. No questions.

Senator CURTIS. Thank you very much. The testimony merits general questions to be developed in the record but I hope you appreciate our situation. We have several people yet to be heard. Thank you.

Dr. Dale Anderson and Dr. John Felton. We are delighted to welcome you to the witness chair of this committee. I see you have both collaborated on the same statement.

STATEMENT OF DR. DALE G. ANDERSON, ASSOCIATE PROFESSOR OF AGRICULTURAL ECONOMICS, AND DR. JOHN RICHARD FELTON, PROFESSOR OF ECONOMICS, UNIVERSITY OF NEBRASKA, LINCOLN, NEBR.

Dr. Anderson. Yes.

Senator Curtis. You have heard what I said about time schedule. Your paper deals with transportation. How would you suggest that we proceed in order that you might have an opportunity to stress the points that you wish and at the same time we give what consideration we can to the remaining witnesses?

Dr. Anderson. With your permission, I think we probably ought to try to summarize our presentation.

Senator Curtis. All right. Your full statement will be printed in the record as if delivered.

You may proceed.

Dr. Anderson. Senator Curtis, Senator Bellmon, with your permission, I will summarize the first part of the paper, the part that deals with some background issues, and Professor Felton then will summarize some more specific problems and some policy recommendations that we have to offer.

Senator Curtis. Very well.

Dr. Anderson. I think that one could hardly overemphasize the importance of transportation to economic development. The industrial growth of the United States back in the 19th century has been attributed by many to the earlier development of transportation, especially railroad ransportation. The opening of the West I am quite sure was the primary factor in developing this part of the country. The importance of transportation to the Great Plains is particularly crucial. Land which is perhaps our most basic resource has very limited alternative uses. The products that this land is producing are extremely heavy and bulky and we are moving these products a very long distance to the primary consumption centers on both the east and the west coasts as well as to export terminals on the gulf coast.

The railroads are regarded as of particular importance because they are inherently best suited to the transportation of heavy, bulky commodities over long distances. The water routes to which we have access are fairly limited, so they offer only limited competition.

Highway carriage under even the very best of operating conditions is inherently a smaller volume kind of an operation and is thus suited primarily for shorter hauls and for higher value commodities.

Let me offer just a couple of examples of changing technology which in turn has resulted in changing costs which in turn has induced changes in the rate structure which have had a considerable effect on our part of the country.

The first example I would like to offer is the shift of flour mills—this has taken place primarily because of change in technology, because of changing costs, because of induced changes in the rate structure. Flour mills have moved from the Great Plains country to the South and East.

Well, as an example of an opposite kind of a situation, look at what has happened to the meatpacking facilities. Here the trend has been in exactly the opposite direction, and decentralization. Meatpacking facilities have moved out into the countryside and again primarily because of the changes in transportation. It has become cheaper to move the meat than to move the live animals because of development of improvements in refrigeration, the refrigerated railcar, refrigerated trucks and improved highways and the like.

The importance in transportation systems in moving people is equally crucial, I think. The migration to urban areas from the rural areas has left the population extremely sparse in our part of the country. Some 20 million people made this shift between 1945 and 1970 in the United States. And so the people who remain have to go a long way to do their shopping and to get their education, to make use of cultural and professional services. And so transportation becomes even more important, more important all the time.

Well, I have alluded to some of the handicaps but let me suggest a few handicaps that rural environment has that we consider to be of a rather inherent nature. Agricultural productivity has increased substantially. At the same time the number of farms has declined as has the number of farmers. This in turn has induced a reduction in the sizes of many of our rural communities and the vitality of these communities, especially towns of a population of 1,000 or less. These towns—a great many of them have actually lost population during the last 10 years—so there are fewer customers.

At the same time there are increasing economies of size in many of the services that these people have need for. The average size of hospitals, the average size of schools, the average size of all kinds of businesses has increased, and largely because of increased sized economies.

Technological developments in railroad transportation have had very much the same effect. Such things as unit transportation, larger and more specialized cars, increased automation, all of these things have meant that the railroads also have got to move things in larger packages if they are going to be competitive.

Well, passenger service has been perhaps even more seriously affected. We have fewer people in the rural areas but at the same time the people who remain have a need and a desire to go longer distances in shorter periods of time and by modes of travel which themselves are experiencing ever larger economies of size.

Well, all this presents an extremely serious problem, I might suggest.

The advent of the private automobile and the airplane have all driven public surface transportation from the rural scene. Nor are the air carriers themselves in a particularly enviable position. Their load factors have shrunk and plane sizes increase as rural populations decline.

Well, Professor Felton will outline some additional, more specific kinds of problems and solutions that we think may be helpful.

Dr. Felton. Professor Anderson has spoken of some of the inherent handicaps under which we labor and there may not be much except without special treatment. Nothing can be done without those. There are, on the other hand, certain artificial handicaps and we think they are appropriate for some remedial action. One is discrimination in railroad freight rates.

Now, it is true that there have been allegation of discrimination for at least 100 years and many of them have emanated from this area. The problem has always been one of acceptable evidence or proof that this was so. Clearly just differences in rates are not sufficient evidence of discrimination, for different rates may be nondiscriminatory, while equal rates can well be discriminatory. The test is always one of a relationship between revenues received and costs incurred.

Well, the Interstate Commerce Commission used to publish data on railroad revenue cost relationships, both by commodity and by mileage blocks, and these data do form the basis for an appraisal of the existence of commodity and price discrimination.

Several years ago I undertook a study of commodity rate discrimination in which I looked at the ratios of revenue to cost enjoyed by the railroads both for principal exports and principal exports in the Dakotas, Nebraska, and Kansas. I found that they were in every case higher than for the United States as a whole, indicating that some discrimination then was practiced against the kinds of commodities which were the principal exports and imports of the Northern Plains States.

Professor Anderson has just published a study last June on price discrimination. He found that the ratio of revenue to cost tended to increase with distance and since greater shipment distances are typically involved in this area, it meant that discrimination against the Great Plains States tended to triple. In fact, he found that the revenue cost ratio for meat exported from the western territory trunk line exceeded the ratio for the remainder of the United States by some 11 percent.

What are the explanations for such discrimination? Professor Anderson has already alluded to one: the immobility of resources employed in agriculture. This means that farmers are not very sensitive to increases in rates because they have little in the way of choice for the use of their talents and their land than to continue doing what they are doing.

This is one factor which accounts for discrimination. The other is lack of effective competition.

Highways, as Professor Anderson noted, tend to be effective competitors only for relatively short distances and water transportation is by no means a universal alternative in the Plains area. We might ask why, despite acts to regulate commerce that date back to 1887, which contain three provisions against discrimination, that such discrimination should after all this time still be a part of the structure of railroad rates. Part of the answer is that the Interstate Commerce Commission itself has not only embraced but in fact been a strong proponent of the discrimination on the grounds that it conforms to differences in the so-called mail surface and they have continued to support the value of service pricing principle of rate making on what I regard as a somewhat dubious theory known as the added traffic theory. The added traffic theory is that it is all right to discriminate against A in favor of B because if you didn't give B reduced rates his traffic might not move and therefore the entire burden of overhead costs would be borne by A, or, say, the farmer, in our example.

There are two difficulties with such a theory: The first is that the fact that lower rates are charged to B, and B makes some contribution to overhead costs, merely creates the possibility at most of lowering the rates to A, they by no means insure it.

A second difficulty with this particular theory is that B's rate, while they may make some contribution to overhead costs in the short run, may fall short of covering the long-run investment operating costs of transporting these goods. Under such circumstances mutually beneficial discrimination, what we have is A subsidizing B.

I want to address myself secondly to the problem of freight car shortages. This is a phenomenon which tends to be characteristic of the western and southern part of the United States rather than the East.

I think we can identify three factors primarily responsible for freight car shortages. The first is an imbalance of east-west traffic. Goods moving east tend to be bulky by and large in comparison with those moving west. It follows therefore that a given aggregate value of goods will require more freight cars for an eastward than for a westward movement.

A second factor in the shortage is the existence of destinations beyond the confines of the originating railroad's lines which necessitates relinquishing control of its cars to foreign roads.

Third is a car rental or per diem system as it is called which operates when cars are on foreign roads but which has historically proved inadequate to cover the prospective owner/shipper costs of newly purchased freight cars.

Under such circumstances eastern railroads find it clearly more profitable to divert western-owned cars to their own use rather than to purchase their own.

As for evidence, I point out that between 1956 and 1967 eastern railroad owner/shipper declined from 39 percent to 31 percent of the freight car fleet, that is, the national freight car fleet, and this accounted for some 64 percent of the decline in national freight car owner-shipper during the decade or during this 12-year period, I should say.

As a result, while the 1960 eastern railroads had 8 percent more cars on line than they owned, by 1968 it had risen to 20 percent. The AAR, that is, the Association of American Railroads, and the Interstate Commerce Commission have attempted to overcome the defects of the per diem system by what are known as car service rules and orders but I am afraid they prove no more effective in solving the shortage problem than the per diem system.

I would like to make some specific recommendations for legislative action or at least consideration.

I think the basic provision of the Interstate Commerce Act of 1887 dealing with price and commodity discrimination should be revised to require the ICC to abandon value-service pricing in favor of cost-oriented pricing and the Commission should be required to keep variations in revenue-cost relationships within reasonably narrow limits.

Second, I believe the Senate Commerce Committee should hold hearings on the feasibility of a national freightcar rental exchange system, a proposal which I have made elsewhere and which I would like to add to the submission to this committee. Under such a system flexible per diem rates would result and cars would move in accordance with variations, seasonality, and demand, and in accordance with geographical considerations as well.

Finally, I should strongly urge that the Senate delete a provision of the proposed Surface Transportation Act of 1971, S. 2362, and H.R. 10146, which would narrow the agricultural exemption. It is true that a relatively minor narrowing would occur as a result of this proposal, but I regard the direction as entirely a wrong one.

Just the day before yesterday the Department of Transportation proposed a substantial deregulation of highway carrier control.

I think that we can declare ourselves strongly in favor of such a proposal on the grounds that it would tend to improve the service and reduce rates on processed agricultural products and on farm inputs in this area.

Thank you.

Senator CURTIS. Thank you very much, both of you. We are glad to have this contribution and we do appreciate it very much.

(The prepared statements of Dr. Felton and Dr. Anderson is as follows:)

Mr. Felton and Mr. Anderson: The importance of transportation to economic development is well-known. The great industrial growth which characterized the American economy in the last third of the 19th century has long been attributed to the growth of the railroad network, and transportation facilities invariably constitute a major element in the infrastructure plans of developing countries. While Nebraska and the other Great Plains States are scarcely underdeveloped areas, as that term is generally used, they do exhibit a very slow population growth, relatively meager industrialization, and a per-capita income which is generally below the national average.

Where, as in the Great Plains, much land possesses little alternative use except in agriculture, where the products of land are typically bulky in relation to their value, and where the major consuming markets for those products are at a considerable distance, transport efficiency is of crucial concern. Since rail transportation enjoys its greatest advantage over highway transportation in the movement of low-value goods over significant distances and since water transportation is confined to a limited number of routes, it is the efficiency of the railroad system which looms largest in any consideration of the relevance of transportation to the economy of the Great Plains.

The greater sensitivity of agricultural commodities than manufactured products to freight rate levels is revealed by a comparison of the percentage which freight charges bear to the delivered price of the product. The most recent Interstate Commerce Commission study of freight revenue as a percentage of the wholesale value of commodities at their destination revealed that almost 11 percent of the delivered price of grain consisted of rail freight charges while such charges accounted for only 4 percent of the delivered price of manufactured products and about 6 percent for all products, including grain and other agricultural commodities.[1]

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[1] Bureau of Transport Economics and Statistics, ICC, *Freight Revenue and Wholesale Value of Destination of Commodities Transported by Class I Line-Haul Railroads, 1959* (Washington, D.C., October, 1961), pp. 16, 20, and 21. Grain is defined here as consisting of wheat, corn, sorghum grains, oats, barley, rye, and soybeans.

Transportation is also a vital factor in the movement of the inhabitants of rural areas. The steady migration of persons from rural to urban areas forces an increased reliance on transportation upon remaining rural residents. Some 20 million U.S. citizens moved from rural to urban environments between 1945 and 1970.[2] In 61 of Nebraska's 93 counties population declined by more than 5 percent during the decade of the 1960's.[3]

Relatively low population densities in much of the Great Plains require substantial movement of people for shopping, education, professional services, and cultural activities. Technologically induced size economies in many of these activities have resulted in an accelerated reduction in their number. The number of most rural-based commercial establishments has gradually declined. Professional services have gravitated to the larger towns and cities. More than 61 percent of Nabraska's physicians practiced, in 1966, in either Lancaster or Douglas county. Twelve Nebraska counties had no medical doctor; 25 had no hospital.[4] South Dakota researchers found that persons in northwest South Dakota seeking medical care outside their home towns traveled an average of 56 miles.[5]

Consolidation has made the one-room country school virtually a thing of the past; busing of rural Nebraska children to distant schools is a normal occurrence. Nebraska country elevators declined in number from 892 in 1958 to 826 in 1968, resulting in increased average distance from farm to market.[6] Many more instances of reduced services could be cited; all create added rural dependence on transportation.

Increases in agricultural productivity have reduced greatly the number of farms and farmers. In Nebraska alone, farm numbers declined by an average of about 2,000 per year during the 1960's.[7] The lower farm population has, in turn, induced declines in the size and vitality of many of the smaller Nebraska towns. Nebraska towns having a 1970 population of between 1,000 and 2,500 grew an average of only 2.5 percent between 1960 and 1970. Towns and cities with a population greater than 2,500 increased in size by 19.2 percent.[8] Of the 120 Nebraska towns of 1,000 or more persons, 24 lost population during the 1960's.[9] Only 63 towns experienced a gain; population in the remaining communities remained stable.

Population of many rural areas has waned while size economies for business and service activities have increased, thus subjecting these communities to a double squeeze. The squeeze has been particularly severe in terms of transport resources. A reduction in number of transport customers has occurred just when a greater concentration of traffic is needed to achieve expanded size economies. Economics have dictated larger trucks, rail cars, aircraft, buses, and the terminals that serve these modes. Carriers are increasingly finding it unprofitable to serve smaller rural towns and cities. Provision of efficient and economical transport service to areas of low-population density is clearly a challenge.

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[2] U.S. Senate, *The Economic and Social Condition of Rural America in the 1970's*, Committee Print, prepared for the Committee on Government Operations, 92d Congress, 1st Session (Washington, D.C., 1971), pp. 4–6.

[3] *U.S. Census of Population*, 1960 and 1970.

[4] Warren H. Pearse, C. A. McWhorter, Rena Boyle, and Suzanne Remy, *Medical Manpower for Nebraska* (Omaha: University of Nebraska Medical Center, no date), pp. 68–70.

[5] Mark J. Powers, and Leland G. Bierman, *Supply and Demand of Medical Services in Northwest South Dakota: An Economic Analysis*, Agricultural Experiment Station Bulletin 568 (Brookings: South Dakota State University, 1970), p. 27.

[6] *Nebraska Grain and Feed Directory and Buyers Guide* (Lincoln: Nebraska Grain and Feed Dealers Association, 1959 and 1969 editions).

[7] U.S. Census, *op. cit.*

[8] E. S. Wallace, "Population Changes in Nebraska Cities," *Business in Nebraska*, Vol. 50, No. 19 (February 1971), p. 3.

[9] "Rural Population Slide Has Found No Bottom," *Omaha World Herald*, Evening Edition, December 2, 1970, p. 1. Information in the news release is from 1960 and 1970 *Census of Population*.

Just as technological change and the accompanying greater productivity on the farm have had their impact in rural areas, so has technological change and greater productivity affected the railroads and the shippers which they serve: *e.g.* Centralized traffic control, automated classification yards, centralization, automated maintenance of way, continuous welded track, larger and more specialized freight cars, and unit trains. These changes have enabled railroads greatly to increase per-man-hour output and to reduce rates on agricultural products over the course of the last decade.[10]

At least two of the technological changes in the railroad industry, the development of the unit train and larger and more specialized freight cars, have and will continue to have important consequences for agriculture in the Great Plains area. The unit train of jumbo hopper cars can reduce the out-of-pocket costs of grain transportation to the range of about 3 to 5 mills per ton-mile and promises to expand the size of the market for profitable grain shipment from the Great Plains.[11]

The reduction in the cost of transporting grain relative to grain products has induced a shift in the locus of grain milling operations from locations near grain growing areas toward major consuming markets.[12] On the other hand, technological change in the railroad industry has had precisely the opposite effect on the location of slaughterhouses. The development of economical and efficient refrigerator cars has reduced the cost of transporting animal carcasses relative to that for live animals. This, in turn, has induced a decentralization of such activities in the direction of livestock feeding areas.[13]

The combined effect of the introduction of larger and more specialized freight cars and the development of the unit train has been to reduce the costs of large volume shipments relative to small ones. Thus, railroads have found it increasingly unprofitable to accept less-than-carload lots and to maintain service on branch lines. As a consequence, rail service to communities located on branch lines with a small potential volume of commodities for export has deteriorated in recent years.

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[10] Between 1960 and 1969, the index of railroad freight rates for agricultural commodities declined 5 percent. *Agricultural Statistics, 1970* (Washington: GPO, 1970), p. 461. During this same period, the average of all prices (the implicit price deflator for total GNP) rose 24 percent. Economic Indicators, August, 1971 (Washington, GPO, 1971), p. 2.

[11] John Richard Felton, "Technological Changes and Internal Economies in Railroad Transport," American Journal of Agricultural Economics, vol. 50, No. 3 (August, 1968), pp. 726–7.

[12] Jeff Maillie and Dale Solum, "An Analysis and Evaluation of Factors Which Are Deletions to the Competitive Interests of the Mid America Wheat Flour Milling Industry," final report for the Mid-America Governor's Transportation Committee and 14 Mid-America Milling Companies, Midwest Research Institute, Kansas City, Mo., July 1, 1968, pp. 12–48 (mimeographed); and Bruce H. Wright, "Regional and Sectoral Analysis of the Wheat-Flour Economy," Economic Research Service, USDA, Marketing Research Report No. 858 (Washington, D.C., October, 1969), pp. 28–9.

[13] J. Marvin Skadberg, "Livestock Producer Marketing Patterns in the Upper Missouri River Basin," in Thomas T. Stout, ed., Long-Run Adjustments in the Livestock and Meat Industry: Implications and Alternatives, North Central Regional Research Publication 199 (Wooster, Ohio: Ohio Agricultural Research and Development Center, 1970), pp. 51-64. Improvements in trucks and in highways have also contributed to the decentralization, particularly in more recent years.

Highway carriage is inherently a smaller volume operation than is railroad transportation. Not only is the load unit, the trailer, considerably smaller than a freight car, but also the unit of operation, tractor and trailer or trailers, is far smaller than a train consisting of a long string of cars. Furthermore, the completion of the interstate system through Nebraska should reduce highway carrier operating costs which are, of course, materially affected by the limited access, nonstop character of the interstate system. Nevertheless, even under the best operating conditions, the line-haul costs of highway carriers tend to be some multiple of rail line-haul costs.[14] Therefore, even when the higher terminal and inventory costs associated with rail shipment are taken into consideration, the highway carrier is the most economical mode of transport only for small shipment sizes over short distances. Where the goods are of relatively low value, such as grains, the advantage for shipment sizes of 30 tons or more may be limited to distances less than 50 miles.[15] In short, technological change in rail transportation has been a mixed blessing to rural areas and highway carriage appears to be a high cost alternative.

Public passenger transportation service, whether by air, rail or bus has been even more seriously affected. First, the decline in rural population has reduced available passenger traffic to and from rural communities. This in turn has motivated carriers to reduce quantity and quality of service in an effort to maintain profitability or to reduce losses. Deterioration in services discourages still more people from using public transport, and the situation further worsens.

Secondly, the increased popularity of the private automobile has diverted traffic from motor and rail carriers to the point that passenger business has all but vanished for these modes. Automobile registrations in the United States more than doubled from 1950 to 1969. In Nebraska, registrations increased by 52 percent over the same period.[16]

Air carriers have been responsible for diversion of considerable long-haul passenger traffic from the surface carriers. Increased speed, comfort, and reliability of air travel have made this mode particularly attractive to travelers. Size economies associated with both aircraft and airport operations put ready access to air service out of reach of residents of all but the larger cities. Even now, persistent complaints of financial losses are voiced by feeder lines serving Nebraska and other Great Plains States.[17]

Charges of railroad freight rate discrimination have been voiced frequently by shippers in many areas. Shippers of agricultural products from Great Plains origins, in particular, have long contended that rate structures affect them adversely and unjustly.

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[14] Ann Friedlaender, "The Dilemma of Freight Transport Regulation" (Washington, D.C.: Brookings, 1969), p. 39.

[15] *Ibid*, p. 42.

[16] U.S. Bureau of the Census, "Statistical Abstract of the United States," 1952 and 1970 editions (Washington: Government Printing Office, 1953 and 1970), pp. 498 and 545 respectively.

[17] See, for example, "Air Service for Main Street, U.S.A., Can it Continue?" (Denver: Frontier Airlines, undated), pp. 3–4; and "Subsidy for Public Service" (Denver: Frontier Airlines, 1971), 16 pp. Losses allegedly incurred in serving smaller Great Plains Communities are blamed on sparsity of available passenger traffic. Frontier maintains the release of additional CAB subsidy funds is needed to permit continued service to these communities.

Commodity and place discrimination, usually referred to as value-of-service pricing, has long had the support of the Interstate Commerce Commission.[18] Pursuant to the value-of-service principle, buyers of transportation service are segmented into groups having similar demand characteristics. Each group is then charged on the basis of willingness to pay. Buyers whose demand schedules are more elastic pay less than those who have inelastic demands. Farmers, owing to the immobility of the labor and land resources committed to agriculture, are a prime example of shippers with an inelastic demand for transportation.

The rationale for the value-of-service pricing system is that lower rates to shippers with elastic demands may actually benefit shippers with inelastic demands by reducing the contributions to overhead which the latter group must make. There are two difficulties with this argument:

1. The Commission may not, in fact, insist upon the reduction of rates to shippers with inelastic demands by virtue of the contributions to overhead provided by shippers with elastic demands.
2. The contributions to overhead from shippers whose demand for transportation is elastic may be insufficient to cover the long-run investment, as well as operating costs associated with such service. Under such circumstances farmers, rather than enjoying lower rates because of discrimination in favor of nonagricultural products, will actually be required to subsidize the movement of many non-agricultural commodities.

Rate discrimination as practiced by railroads may take one of two forms. One variant, place dicrimination, exists where a carrier segments purchasers of its services into geographic markets on the basis of their willingness to pay. Thus, a railroad customer shipping wheat from North Dakota to Oregon might pay more than one shipping wheat from Colorado to Oregon even though costs were substantially the same for each shipment. A nondiscriminatory rate structure would require equal rates for hauls over which costs are equal, rates proportional to costs where costs are unequal.

The second variant, commodity discrimination, arises where market segmentation occurs along commodity lines. Thus, the ratio of rates to transport costs may be greater for wheat than it is for wheat flour. The shipper of wheat then is discriminated against relative to the shipper of flour.

Great Plains farmers are especially vulnerable to rail rate discrimination. Their isolation from centers of manufacturing and consumption forces heavy reliance on transportation media. Their resource base, especially the relatively inflexible land resource, has proven best suited to the production of the kind of heavy, bulky products which railroads are best equipped to transport. Rail costs per ton-mile are generally substantially lower than truck costs for long-haul shipments of agricultural products. Barge costs are frequently less than for comparable rail shipments,[19] but the limited number of water routes allows for only limited competition from this mode.

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[18] ICC, "Value of Service Pricing," Statement No. 5912 (Washington, D.C.: 1959). *See especially* pp. 357–61.

Research conducted at the University of Nebraska provides evidence of both commodity and place discrimination directed against Great Plains shippers. Wide differences were found in the ratios of rail revenue to out-of-pocket costs [20] in the exports and imports of the Northern Great Plains States in comparison with the United States as a whole. Indexes of revenues to out-of-pocket costs for the 15 most important (based on tonnage) commodities transported by rail to and from each of the Northern Great Plains States were in every case higher than the ratios for the entire United States (see table below).[21]

In other research it was found that rail shipments of wheat from Great Plains origins were discriminated against relative to shipments from other areas. Ratios of revenue to out-of-pocket costs ranging in value from less than one to more than five suggest widespread place discrimination. States in the Northern Great Plains were particularly disarvantaged. For example, the ratio for North Dakota intrastate shipments in covered hopper cars was 4.0 compared with only 1.1 for shipments from Missouri to Louisiana. The average weighted ratio (weighted by number of carloads) for shipments by common boxcar from all shipping states was 1.6—significantly lower than weighted ratios for North Dakota (2.2), Montana (2.1), South Dakota (1.9) and Nebraska (1.7). Ratios for shipments from Texas and Missouri were only 1.1 and 1.2, respectively.

INDEX OF WEIGHTED (BY TONNAGE) RATIOS OF REVENUES TO OUT-OF-POCKET COSTS FOR THE 15 MOST IMPORTANT COMMODITIES TRANSPORTED BY RAIL TO AND FROM EACH OF THE NORTHERN [1] PLAINS STATES AND FOR THE UNITED STATES AS A WHOLE (1961)

[Based on tonnage]

Area	Origination	Termination
North Dakota	140	[1] 126
South Dakota	130	[1] 114
Nebraska	120	[1] 138
Kansas	151	[1] 151
United States	113	113

[1] Exclusive of terminations of intrastate origin because such shipments are recorded among originations.

Source: John Richard Felton, "Commodity Rate Discrimination in Railroad Transport," in Jack R. Davidson and Howard W. Ottoson, "Transportation Problems and Policies in the Trans-Missouri West" (Lincoln, University of Nebraska Press, 1967), p. 68. Ratios were calculated from Interstate Commerce Commission, "Carload Waybill Statistics, 1961," Statements SS-2 through SS-7, and "Distribution of the Rail Revenue Contribution by Commodity Groups, 1961" (Washington, D.C., 1963 and 1964).

Much of the discrimination appeared to be related to intermodal competition or the lack thereof. Longer hauls, for example, tended to be discriminated against relative to shorter hauls—a response, perhaps, to more intensive truck competition for the shorter movements. Wheat shipments to the gulf coast fared rather well; barge competition seems the most likely reason. The same general pattern of discrimination prevailed during the 2 years analyzed (1958 and 1966), indicating the persistence of the practice and the potential for longrun misallocation of resources.[22]

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[19] There is evidence that rail rates are highly responsive to competition from barges. See Friedlaender, *op. cit.* pp. 57–9.

[20] "Out-of-Pocket costs" are the ICC's version of long-run marginal costs. This cost measure has certain deficiencies when used for rate-making purposes, but is useful in comparative analyses such as commodity or geographical revenue-cost relationship comparisons.

[21] John Richard Felton, "Commodity Rate Discrimination in Railroad Transport," in Jack R. Davidson and Howard W. Ottoson, Eds., "Transportation Problems and Policies in the Trans-Missouri West" (Lincoln: University of Nebraska Press, 1967), pp. 66–8.

While the level of freight rates has been a continuing source of friction between agricultural interests and the railroads, a problem of perhaps equal intensity and antiquity has been that of car supply. In the very first case docketed before the Interstate Commerce Commission, several shippers complained that the St. Paul, Minneapolis and Manitoba Railroad Co. had denied them cars.[23] Furthermore, as early as 1907, the ICC undertook its own investigation of the alleged inadequacy of the freight car supply and reported that:

> **Evidence taken at Chicago related to conditions in the grain fields of Iowa, Nebraska, Kansas and Oklahoma . . . All dealers told the same story of the failure of transport facilities . . . Elevators in North Dakota have been closed for lack of cars to take away their wheat.**[24]

Subsequent hearings before the ICC and congressional subcommittees suggest that the problem has not diminished. In his opening statement at the 1969 hearing on freight-car supply, Senator Hartke declared: "Since 1966 the problem of freight car supply has grown much worse." [25] Last year he again pointed to the urgency and persistence of the problem: "We met on freight car shortages less than a year ago . . . the situation today is no better. The shortage situation is worse." [26]

The factors which create a shortage of freight cars in the Great Plains States can be identified as follows:

1. The imbalance of east-west traffic. Commodities moving east are, for the most part, low-value goods, while commodities moving west are generally of higher value. As a consequence, a greater number of cars will be required to move a given aggregate value of commodities east than west.

2. The existence of destinations beyond the confines of a railroad's lines so that it must relinquish control of its freight cars to other railroads. In practice, this means that there will be more loaded car movements from west to east than east to west. It also means, of course, that there must be some flow of empty cars from east to west.

3. A car rental, or per diem, system which historically has failed to cover the prospective ownership costs of newly acquired freight cars. As a consequence, Eastern railroads have found it profitable to divert cars owned by Western railroads to their own use and pay per diem charges rather than to purchase their own equipment.

Between 1956 and 1967 the percentage of the Nation's box and covered hopper car fleet owned by Eastern railroads declined from 39 percent to 31 percent. Differently stated, 64 percent of the decline in box and covered hopper car ownership between 1956 and 1967 is attributable to the Eastern railroads.[27] This decline in the proportion of box and covered hopper car ownership accounted for by Eastern railroads was accompanied by a corresponding rise in the ratio of cars on Eastern lines. In 1960 the Eastern railroads had only 8 percent more boxcars than they owned; by 1968 it was 20 percent. During this period the opposite trend was manifesting itself in the Upper Great Plains. There the railroads had about 7½ percent fewer cars on line than they owned in 1960 while in 1968 the percentage had risen to 18.[28] As a result, the Upper Great Plains railroads were subsidizing Eastern ones, with Plains States' shippers the source of the subsidy.

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[22] Dale G. Anderson and Brian L. Mariska, "Place Discrimination in Rail Shipments of Wheat From Great Plains Origins," Agricultural Experiment Station Research Bulletin 243 (Lincoln: University of Nebraska, 1971), pp. 5–6, 29 and 32.

[23] *Holbrook v. St. Paul, Minneapolis and Manitoba Railroad Co.*, 1 ICC Rep. 102 (1887).

[24] *In the Matter of Car Shortage and Other Insufficient Transportation Facilities*, 12 ICC 561, 568 (1907).

[25] Freight Car Supply, Hearing before the Subcommittee on Surface Transportation of the Committee on Commerce, U.S. Senate, 91st Cong., 1st Sess., May 13, 1969 (Washington, D.C., 1969), p. 1.

[26] Freight Car Shortages, Hearings before the Special Freight Car Shortage Subcommittee of the Committee on Commerce, U.S. Senate, 91st Cong., 2nd Sess., March 24, 25 and April 2, 1970 (Washington, D.C., 1970) p. 1.

A further consequence is the well-known "car shortage," the inability of Western shippers to secure freight cars in sufficient numbers at the times and places desired. It is true that the Association of American Railroads and the Interstate Commerce Commission have attempted to utilize other means to influence freight car allocation. Both have promulgated car service rules to induce the return of cars to their owners and car service orders to require the transfer of cars from Eastern railroads to Western railroads without regard to ownership. The evidence to date would suggest that car service rules and orders have been no more successful than the per diem system in achieving a rational allocation of the freight car fleet.

It is easier to identify problems than it is to devise sound and acceptable solutions. It is also easier to engage in special pleading than it is to render an objective appraisal. Let us emphasize that we are making no argument for favored treatment to overcome the inherent disadvantages under which the Great Plains States operates. After all, this area also possesses important advantages, such a fertile soil, unpolluted air and water, uncrowded communities, a willing and able work force, and good educational institutions. If we were to expect favored treatment to compensate for our handicaps, we might have to endure compensating penalities to offset our inherent advantages. What we seek merely is the amelioration of the artificial handicaps under which we labor. Let us suggest a few possible ways in which such handicaps might be reduced.

The establishment of a cost-oriented railroad rate structure is in keeping with a national transportation policy that is committed to the preservation of the inherent advantages of all modes of transportation. Value-of-service seems highly inappropriate as a primary ratemaking consideration. Nor has discrimination been in the long-term best interests of the regulated. The gradual diversion of high-rated traffic from the railroads to competing modes is a well-documented fact. The solution would seem to lie in congressional action requiring the ICC to abandon its historic adherence to value-of-service ratemaking and to embrace an economic concept of discrimination.

S. 3223, introduced into the second session of the 91st Congress, would require the ICC to adopt a new per diem system which would raise per diem rates to the level of the daily reproduction cost of car ownership rather than the daily historical cost of such ownership.

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[27] R. J. Tosterud and D. C. Nelson. "A Base Study of the Box and Hopper Car Supply Problem in the United States" (Fargo, N.D.: Upper Great Plains Transportation Institute, North Dakota State University, Sept., 1969), p. 26.

[28] Ibid, pp. 56–7.

While we have no doubt that the resulting per diem charges would more nearly reflect the relevant economic cost of car ownership, we have two fundamental objections to this bill:

1. It is the prospective daily ownership of newly acquired freight cars which is relevant to the investment-decision process, not past costs, whether or not such costs are adjusted for current price levels.

2. No inflexible and rigid per diem system will be satisfactory. Per diem rates should be flexible so as to respond to seasonal and geographic variations in demand. Under such a system rates would rise during periods of greatest demand and fall during offpeak periods. Cars would also gravitate to those areas where they have the greatest value rather than to any location where the value of the car is as great as the per diem rate. It would also be possible to dispense with the elaborate car service rules and arbitrary car service orders, for the crucial problem in freight car supply is not the return of cars to their owners—a costly and wasteful process—but getting cars to those shippers for whom they possess the greatest value.

Felton has outlined a proposal for a national freight car rental exchange system which we believe will provide a solution to the problem of freight car supply and we should like to add it as an exhibit to this testimony. At the very least, we think the Interstate Commerce Commission should investigate the feasibility of the proposal.

Problems of timely, reliable, and economical small package transfer have been the subject of much complaint by residents of rural communities. Poor service has been, in large measure, due to economic infeasibility of either (1) less-than-car or truckload shipment or (2) warehousing of carload or truckload lots in recipient communities. United Parcel Service, now operating in Nebraska on an interstate basis, with service to and from 32 other States, appears to offer some hope in alleviating these problems. UPS will accept packages up to 50 pounds and shipments up to 100 pounds per day for a fixed weekly fee. Preliminary reports indicate the service has been quite efficient.

The size and weight limitations of United Parcel Service make it clear that by no means all of the small shipments problems will be resolved in this fashion. It is our recommendation that the Congress give careful consideration to the possibility of deregulating highway common and contract carriage. Experience with motor carriers operating under the agricultural exemption suggests that shippers of exempt commodities receive better service at lower cost. Deregulation would extend these benefits to processed agricultural commodities and farm inputs of all kinds.

In this connection, we view with great misgivings one section in the proposed Surface Transportation Act of 1971, S. 2362 and H.R. 10146, introduced recently by Senator Vance Hartke and Representative Brock Adams. This bill would eliminate the exemption from economic regulation now enjoyed by several agricultural commodities. Nothing, we believe, is more antithetical to the interests of rural economic development.

Intra-area passenger transportation problems are experienced primarily by the very old, the very young, and the very poor residents. These are the people who lack access to an automobile. No ready solutions to this problem are in sight. Short of subsidized operations it is unlikely that intra-area bus service will ever be feasible in most of the smaller rural communities.

Quality of intra-area passenger service depends largely on access to major highways and to airport facilities. Construction of the interstate highway system has greately improved the situation faced by most automobile owners. Completion of a proposed north-south State interstate highway would be of benefit to many Nebraska residents.

Size economies of airline and airport operation rule out scheduled air service to all but the larger cities. Schedules to smaller towns now served by air generally are quite limited; the situation seems unlikely to improve. The best hope for the future appears to lie in development of a much more limited number of very large airport facilities, with improved surface transportation connections to outlying communities. Such a plan (a very ambitious one) has recently been promoted for the Lincoln-Omaha area.[29]

The precise effects of many prospective and predicted future transportation adjustments are uncertain. Additional research is needed to specify these effects and to evaluate policy alternatives. Research recently underway at the university will examine the effect of proposed abandonments of railroad branch lines on the communities presently served by these lines.[30] Much more work is needed, however. Transportation research has been badly neglected. Considering the importance of transportation and the difficult problems faced by the industry and by its customers, the neglect is serious. A State or regional center for transportation studies would provide a means whereby researchers from several disciplines might attack problems of the industry on a broad front. The Nebraska Transportation Institute, a broad-based group composed of persons representing shipper, carrier, and academic interests has advanced such a proposal. The institute itself might well provide the nucleus for establishing such a center. To insure objectivity, the research should be carried on under the auspices of a public institution. The primary obstacle to such an effort is inadequate financing.

(The bulletin referred to above is as follows:)

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[29] George T. C. Peng and Joseph H. Bain, Eastern Nebraska International Airport Plan (Lincoln: Mid-America Webpress, 1970), 80 pp.

[30] North central regional project NC-112. "Impact of Changing Transportation Systems upon Local Grain and Farm Supply Marketing Firms." Agricultural experiment stations at Iowa, Kansas, and Nebraska are cooperating in this newly established research project.

(Bulletin MP 25, August 1970, University of Nebraska College of Agriculture and Home Economics.)

The Problem of Freight Car Supply

By John Richard Felton*

Summary

As early as 1907 the Interstate Commerce Commission held extensive hearings on freight car shortages. At frequent intervals ever since, Congress and the commission have addressed themselves to the problem of freight car supply with considerable vigor but meager results.

Allegations of an inadequate supply of freight cars have been widespread in recent years. The decline in the number of freight cars is easy to document: between 1959 and 1968, the number of cars used in grain transport (boxcars and covered hopper cars) declined by 26%.

If, however, consideration is given to changes in car capacity and car miles per day, then grain car supply, as measured by ton-miles of grain transported, actually increased by 14% during this 10-year period.

Furthermore, a study conducted by the Interstate Commerce Commission in 1969 revealed that, on an average day in 1968, there were three boxcars and covered hopper cars available in the Midwest Region for every one ordered by shippers. Nevertheless, on this same average day, shippers received only 75 to 80% of the freight cars ordered, owing to malfunctioning of the car allocation system.

When freight cars move beyond the lines of the owning railroad, the railroad having possession must pay the owning railroad a car-rental charge known as "per diem." The Association of American Railroads and the Interstate Commerce Commission have relied upon an inflexible and inadequate car-rental charge and a comprehensive body of "car-service rules" and "car-service orders" to secure return of freight cars to owning roads or to points of greatest "need," as defined by the AAR and the ICC. Thus car allocation, at least during periods of heavy demand, is reminiscent of the decision-making process in a centrally planned socialist system.

If a car-rental exchange market were to be established, car-rental rates would be determined by competitive bidding. Freight cars would then move toward points of greatest shipper demand

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and the ICC would find it unnecessary to issue arbitrary orders to influence car distribution.

Moreover, whenever such competitively-determined rates rose above the prospective daily ownership costs of new freight cars, it would provide an incentive for the acquisition of additional freight cars. Such a car-rental exchange market could be administered by the Car Service Division of the AAR, free from the political considerations which now play a major role in freight car distribution.

Introduction

With the certainty usually attributed only to death and taxes, the problem of "freight car shortages" can be expected to manifest itself in various places and at various times during the course of each year. Shippers in the Great Plains states, particularly, have had frequent occasion to decry their inability to secure boxcars in sufficient numbers to transport grain at harvest time. As former Representative Clair Callan testified before the Freight Car Shortage Subcommittee of the Senate Committee on Commerce:

"In my hometown of Odell, Neb., on last Dec. 3 [1964], there was still milo piled on Main Street. This situation was duplicated in several other towns. The Burlington Railroad estimated that more than 20 million bushels of grain sorghum was piled on the ground in their service area alone because of the boxcar shortage."[1]

During the course of the same hearings, Gordon E. Ganka, then transportation director, Lincoln Grain, Inc., pointed out that in October, 1964, the railroads were able to supply only 68 cars in good condition to meet the 1,167 requested, i.e. 5.8%. The following month, November, 1964, of the 1,627 empty cars ordered, only 122 cars in good condition, or 7.4%, were supplied.[2]

The comments of shippers, railroad executives and regulatory officials since the 1965 hearings of the Senate Freight Car Shortage Subcommittee do not suggest that the situation has improved. In June, 1966, the Interstate Commerce Commission estimated the daily freight car shortage to be as high as 15,000 cars, compared with a maximum of 10,665 cars in all of 1965.

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[1] Clair Callan, "Statement," *Freight Car Shortages*, hearings before the Freight Car Shortage Subcommittee of the Committee on Commerce, U.S. Senate, 89th Congress, 1st session, in S. 179 and S. 1098, Sec. 89-23 (Washington, D.C., 1965), pp. 271-4.

[2] Gordon E. Ganka, "Statement," *Freight Car Shortages*, p. 319. Presumably, monthly car orders are not cumulative; the November, 1964, deficiency was 1,627 − 122 = 1,505, yet the total empty cars ordered for December, 1964, was only 1,497.

The Chicago, Rock Island and Pacific Railroad, alone, reported a weekly shortage of 3,000 grain-loading freight cars.[3]

In November, 1968, a representative of the Rock Island declared: "This is our most critical shortage of any time in the past five years."[4]

Finally, 54 of 77 large shippers who responded to a poll conduced by *Railway Age* in April, 1969, maintained that the freight car supply problem was worse than during the preceding year. Moreover, the cars in shortest supply were those employed in grain transport: boxcars and covered hopper cars.[5]

"Shortage" is not a popular word in the economist's dictionary and he typically attributes this to a failure of the price mechanism to perform its equilibrating role. Is this the essence of the problem of freight car shortages? Let us consider the nature of the demand for and supply of freight cars and the operation of the associated price system.

The Short-Run Supply of Freight Cars

The "demand" for freight cars can be interpreted both as the demand of shippers for existing cars and the demand of railroads, car-leasing companies and shippers for new or rebuilt cars. Thus, there are really two freight car markets, one for the existing fleet and one for additions to the fleet. Let us consider the supply characteristics of the market for the existing fleet.

The short-run supply of freight cars cannot be evaluated merely by counting. Cars are not homogeneous as to type or carrying capacity and intertemporal comparisons must take into consideration changes in the capacity of the average car of a particular type, in the composition of the fleet and in the percentage of serviceable cars. Thus, in the ten years from 1959 through 1968, while the total number of freight cars owned by Class I railroads declined from 1,676,386 to only 1,453,883 or by more than 13%, the aggregate carrying capacity of these cars actually increased from 92¼ million tons to 93½ million tons.[6]

Furthermore, if the reduction in the percentage of unserviceable freight cars from 7.7% of the fleet in 1959 to 4.8% in

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[3] *Wall Street Journal*, June 3, 1966, p. 1, Col. 6.

[4] *Wall Street Journal*, November 6, 1968, p. 30, Col. 1.

[5] "April Traffic Poll: Shortages Continue to Plague Shippers," *Railway Age* (April 28, 1969), p. 31.

[6] AAR, *Statistics of Railroads of Class I in the United States, Years 1958 to 1969* (Washington, D.C., 1969), p. 9. Class I railroads, those having annual operating revenues of $5,000,000 or more, account for 99% of all revenue ton miles of traffic in the United States. The inclusion of freight cars owned by Class II railroads, switching and terminal railroads, car-leasing companies and shippers would have some minor effect on the totals but virtually no effect on percentage changes.

1968 is taken into account, then effective capacity increased from 85 million tons to 89 million tons, or almost 5% during this period.[7]

Instantaneous capacity may, however, be a dubious method of calculating the short-run supply of freight cars. Shippers do not demand so much capacity in the abstract but rather the movement of so many tons of goods from one point to another. Therefore, the short-run supply of freight cars over any short time period is affected not only by aggregate freight car capacity but also by the extent of capacity utilized, the time required for loading and unloading goods, the time spent in classification yards and on sidings, train speed and distance.

Between 1959 and 1968 average train speed, including time spent at intermediate stations and on sidings, increased from 19.5 to 20.4 miles per hour.[8]

Since the portion of the day spent in road trains increased from 2 hours and 21 minutes, on the average, in 1959 to 2 hours and 39 minutes in 1968, average daily car mileage increased from 45.9 to 53.9, or about 17½%, during this ten-year period.[9]

Ton mileage has been further augmented by an increase in the percentage of capacity utilized by the average loaded car from 79.1 in 1959 to 80.4 in 1968.[10] Also, the length of the average haul has increased from 448 miles in 1959 to 492 miles in 1968.[11]

A final consideration is the change in the ratio of empty to loaded car miles. Here the change is unfavorable, the ratio of empty to loaded car miles increasing from 60.5% in 1959 to 68.7% in 1968.[12]

The net result of all these factors can be ascertained by comparing revenue ton-miles in 1959 with those in 1968. Revenue ton-miles increased from 576,529 million in 1959 to 744,479 million in 1968.[13]

Thus, while the number of freight cars of all kinds decreased by more than 13% between 1959 and 1968, the ton-miles per freight car day increased by 43%,[14] so that total freight car productivity increased by 29%.

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[7] AAR, *Yearbook of Railroad Facts* (Washington, D.C., 1969), p. 58.

[8] *Ibid.*, p. 52.

[9] *Ibid.*, p. 55.

[10] *Ibid.*, pp. 50 and 66.

[11] *Ibid.*, p. 41.

[12] AAR, *Statistics of Railroads of Class I*, p. 11. The increase in the empty-loaded car mileage ratio is probably attributable to increased specialization in the freight car fleet which reduces, where it does not eliminate, the utilization of cars in back-hauls.

[13] AAR, *Yearbook of Railroad Facts*, p. 35.

[14] *Ibid.*, p. 56.

Of particular interest in the Great Plains area is the supply of boxcars and covered hopper cars, since they are employed in the transportation of grain to consumption and export points. Between 1959 and 1968 the number of boxcars and covered hopper cars declined by 26% but the aggregate capacity of these cars declined less than 13%.

This difference is attributable, in part, to the increase in the average capacity of boxcars from 49.2 tons in 1959 to 52.9 tons in 1968 and covered hopper cars from 68.8 tons to 84.7 tons during the same period. The remainder of the difference between the change in number and the change in capacity of these cars arises from the change in the ratio of covered hopper cars to boxcars. In 1959, the ratio was 1/11; in 1968 the ratio was 3/10.

Moreover, if the reduction in the percentage of unserviceable boxcars and covered hopper cars approximated that for the fleet as a whole, then available capacity declined by less than 10%. Finally, if boxcars and covered hopper cars traveled at the same train speed, spent the same portion of the day in road trains, achieved the same increase in the percentage of car capacity utilized, enjoyed the same increase in length of average haul and suffered the same decrease in empty/loaded car ratio as the average of the entire fleet, the revenue ton-miles of freight transported by boxcars and covered hopper cars would have increased from 221,964 in 1959 to 253,767 in 1968 or by more than 14%.[15]

Methods of Improving Freight Car Utilization

While the foregoing considerations provide us with little evidence as to the adequacy of the freight car fleet, in general, or boxcars and covered hopper cars, in particular, they do suggest that the short-run supply of cars cannot be ascertained merely by a process of car enumeration. It might also be noted that *potential* car productivity cannot be determined by measuring current car productivity.

Principal opportunities for the enhancement of car productivity would appear to be:

An increase in the percentage of the day during which a car is part of a road train.

A decrease in the empty/loaded car ratio.

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[15] Given the foregoing assumptions, the revenue ton-miles of freight transported by boxcars and covered hopper cars in any year would be the ratio of the combined carrying capacities of boxcars and covered hopper cars to the carrying capacity of the entire freight-car fleet multiplied by the revenue ton-miles accomplished that year by the whole fleet.

"Free Time" and Demurrage Modifications

The average freight car moves only about 54 miles a day which, at an average train speed of about 20½ miles an hour, it can accomplish in about two hours and forty minutes. The remainder of the time it is being held by shippers, consignees or the railroad itself in terminals, classification yards, repair shops and so forth.

One device for reducing loading and unloading delays would be the elimination of all so-called "free time" for such operations. The present practice of 1 or 2 working days within which one may load or unload without payment of demurrage provides no incentive for loading or unloading prior to the end of this period.[16]

Either demurrage, which would begin as soon as the car comes into the possession of the shipper or consignee, or, alternatively, a refund of a portion of the transportation charge for return of the car before the termination of the existing "free period," would provide an incentive for speedier loading and unloading operations.

Seasonally Variable Freight Rates

The portion of the year which the average freight car is in the possession of shippers and consignees is greatly exceeded by the time it is held idle by the railroads themselves.[17]

A primary reason for the existence of unused freight car capacity at various periods would appear to be seasonal fluctuations in demand coupled with the simultaneity of production and consumption of transportation service. In 1968 grain and grain product carloadings in the week of Nov. 2, the 1968 peak, exceeded those of the week of Dec. 28, the 1968 low, by 101.2%, those of the week of June 1 by 85.9% and those of the average week by 33%. Furthermore, the second and third weeks' most numerous grain and grain product carloadings occurred the week preceding and the week succeeding the peak week.[18]

An obvious method of improving freight car utilization would be through the institution of seasonably variable freight rates. Fifteen years ago, George H. Borts pointed out: "If the present (railway) pricing system were replaced by one under which customers were charged more for service during peak periods, they would have an incentive to even out their demand over time."[19]

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[16] Cf. John G. Kneiling, "How Not to Solve the Freight Car Problem," *Trains* (April, 1968), p. 37.

[17] In 1967, inactive car days, including car repair, accounted for 38% of the time of the average freight car while only 18% of the time was devoted to loading and unloading operations. See Patrick P. Boles and John O. Gerald, "Demurrage and the Freight Car Situation," *Marketing and Transportation Situation*, MTS 174 (Washington: U.S. Department of Agriculture, August, 1969), p. 34.

[18] AAR, *Cars of Revenue Freight Loaded, 1968-1969*. CS 54-B (Washington, D.C., Jan. 18, 1969), p. 2.

More recently George W. Wilson has argued the case for seasonal freight rates:

"The problem is essentially this: Marginal cost is higher at the peak when excess capacity is low than it is at other times when excess capacity is greater. Thus, to induce shippers to utilize transport equipment more fully during the year, there should be seasonal rates rising with the off-peak periods.

". . . raising the rates at the peak and lowering them at other times will induce those shippers whose . . . elasticity of transport demand is high . . . to reschedule their traffic insofar as possible. This will lead to a reduction in peak traffic.

"On the other hand, business in off-peak periods will increase due to two factors: the shift of some shippers from peak to off-peak and the general increase in demand for transport due to lower rates at the off-peak periods."[20]

While seasonally variable rates would be a novelty in railroad transportation, they are a familiar characteristic of the exempt sector of highway transportation. The Marketing Economics Division of the U.S. Department of Agriculture, in a survey of truck brokers of agricultural commodities several years ago, found rather substantial seasonal fluctuations in the rates for the transportation of produce and grain.

For example, in 1959, the range in the rate for the transportation of wheat from Topeka, Kan., to Atlanta, Ga., was 28%; the range for oats from Omaha, Nebr., to Dallas, Texas, was 40%; the range for corn from Omaha to Los Angeles was 27%; the range of wheat from Wichita Falls, Texas, to Los Angeles was 40%.[21]

While freedom from rate regulation, particularly the requirement that rates be published well in advance of any changes therein, might facilitate the adoption of seasonably variable rates, it would not guarantee it. On the other hand, the existence of regulation does not preclude it. William G. Shepherd reports that about 8 or 9% of the electric utilities which he surveyed made extensive use of marginal-cost pricing principles, including peak and off-peak pricing policies.[22] Furthermore, the evening, night and holiday telephone rate reductions instituted by American Telephone and Telegraph Co. were not negated by the Federal Communications Commission.

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[19] George H. Borts, "Increasing Returns in the Railway Industry," *Journal of Political Economy* (August, 1954), p. 328.

[20] George W. Wilson, *Essays on Some Unsettled Questions in the Economics of Transportation* (Bloomington, Indiana: Foundations for Economic and Business Studies, Indiana University, 1962), pp. 74-5.

[21] Marketing Economics Division, ERS, *The Role of Truck Brokers in the Movement of Exempt Agricultural Commodities*, Marketing Research Report No. 525 (Washington, D.C.: U.S. Department of Agriculture, 1962) pp. 25-7.

The institution of seasonal railroad rates would presumably depress and spread the peak demand for freight cars. Shippers with more elastic demands for transport would either modify production schedules or adjust inventory practices so as to reduce shipments during the period of peak demand. For grain products this would most likely entail an increase in storage facilities near points of origin.[23]

Seasonally Variable Per Diem Rates

In addition to the improvements in freight car utilization realizable through peak-load pricing of transportation service, very significant gains could also be achieved through a similar reformation of the car-rental, or per diem, system.

The earning capacity of a car is a reflection of freight rates and the extent of car utilization. Therefore, the demand of railroads for freight cars will exhibit the same seasonal pattern as the demand of shippers for transport service.

Furthermore, the rationale for seasonably variable per diem rates is identical to the rationale for flexible freight rates. As Burton A. Weisbrod has observed:

"At whatever level the per diem rental charge may be fixed, this level will almost certainly be above or below, but not at, the free market equilibrium price at any particular time. In other words, an inflexible charge, regardless of its level, is both a ceiling and a floor price and will exhibit the familiar effects of both."[24]

Weisbrod hypothesized that, during periods of greater than normal shipper demand, a railroad in possession of foreign cars would find it profitable to divert such cars to its own use and pay the per diem charge rather than to return the cars to the home road. Conversely, in periods of less than normal demand, foreign cars would be returned to the home road to avoid per diem charges. Thus empty car mileage would rise at such time in the process of transferring cars from one location where they were in surplus to another place where they were equally likely to lie idle.

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[22] William G. Shepherd, "Marginal Cost Pricing in American Utilities," *Southern Economic Journal* (August, 1966), pp. 64-5.

[23] It might be noted, parenthetically, that the economies of unit train transportation of grain constitutes further encouragement to the location of grain storage facilities in grain-growing areas rather than near points of consumption. John Richard Felton, "Technological Change and Internal Economies in Railroad Transport," *American Journal of Agricultural Economics* (August, 1968), p. 730.

[24] Burton H. Weisbrod, "The Per Diem Freight Car Rate and Railroad Efficiency—The Short-Run Problem," *Journal of Business* (October, 1959), p. 383.

A comparison of empty/loaded freight car ratios in years of expanding and contracting economic activity tended to confirm the hypothesis of an inverse relation between level of economic activity and the empty/loaded car ratio.[25]

More than 60 years ago the Interstate Commerce Commission gave serious consideration to the adoption of seasonally variable per diem rates. The commission, in commenting on the increase in per diem charges from 20¢ to 50¢ instituted by more than 100 railroads, conceded that "this will be effective in securing return of cars to the owning railroads during the few months of the year when traffic is light . . . but that it will insure return during times of great need is not likely, for in such times the holder could earn perhaps ten times the amount he would be compelled to pay by using the foreign car."[26]

Car Service Rules and Orders

As a matter of fact, the railroads have not relied primarily on per diem rates to govern car allocation. Car movement, rather, has been made subject to a comprehensive body of regulations of the Association of American Railroads known as "car service rules." The underlying principle of these rules, as Eugene W. Coughlin has observed, is that "a railroad buying cars to serve its shippers is entitled to a reasonably prompt return of the cars after they have moved beyond the owner's rails, but that this return should, to the greatest practicable extent, be under load, to keep empty car haulage to a minimum, and even though this process of loading might involve some delay and circuity in returning the cars to the owner."[27]

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[25] *Ibid.*, pp. 384-5.

[26] *In the Matter of Car Shortages and Other Insufficient Transportation Facilities*, 12 ICC 561, 573 (1907). The commission suggested that 50¢ might well be regarded as a minimum per diem rate and that a rate as high as $2 a day could be established during the period of greatest demand in the latter half of the year. *Loc. cit.* The Association of American Railroads did experiment with seasonally variable per diem rates for foreign freight cars during the years 1910 to 1913. The difference between the March to July rate and the August to February rate was so small, 30¢ and 35¢, respectively, that its effect could not have been pronounced. Leonor F. Loree, *Railroad Freight Transportation* (New York: D. Appleton and Co., 1922), p. 389.

More specifically, the AAR's rules provide that "foreign cars shall be loaded to the fullest extent possible to, toward or via the owning road, and system (home) cars shall not be loaded off owners' rails when the use of foreign cars, properly applicable under these rules, is practicable."[28]

Whatever the merit of the principle embodied in the rules, and this will be examined later, the rules themselves suffer two basic shortcomings:

1. They are not enforceable.
2. They are regularly superseded during periods of heavy shipper demand by "car service orders."

Car service orders typically require Eastern roads to effect certain reductions in the number of Western cars on their lines or to deliver a certain number of freight cars of a particular kind or kinds to specified railroads at particular junctions within a given period of time without regard to ownership.[29]

While AAR car service orders, like AAR car service rules, are not enforceable, the Interstate Commerce Commission has authority to issue binding orders, violation of which will subject the violator to substantial penalties.[30]

In summary, it seems appropriate to characterize railroad freight car allocation in the United States as based on the ownership principle, modified by notions of efficiency in car utilization, and overlaid by authoritative determinations as to shipper needs. Thus, car allocation, at least during periods of heavy demand, is reminiscent of the decision-making process in a centrally planned socialistic system.

As a consequence, it should occasion no surprise that car allocation has been the subject of unceasing controversy for decades, that much unnecessary empty car movement takes place and that the distribution of cars may bear slight resemblance to one governed by market principles. The elements of an acceptable system of car allocation will be discussed after the market for the sale of new and rebuilt freight cars has been explored.

The Long-Run Supply of Freight Cars

In addition to the problem of effective utilization of the existing freight car fleet, there is the crucial issue of the adequacy of the fleet itself. Allegations of an inadequate total supply of freight cars have been widespread in recent years. The Comptroller General of the United States, in a letter to the Senate Committee on Commerce on March 8, 1965, referred to the national freight car shortage as a "matter of public knowledge."[31]

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[27] Coughlin, *op. cit.*, p. 5.

[28] *Ibid.*, p. 9.

[29] *Ibid.*, pp. 211-2.

[30] The authority of the Interstate Commerce Commission to fix per diem rates, promulgate car service rules, issue car allocation orders and impose penalties for violation was established by the Car Service Act of 1917, 40 *United States Statutes at Large*, Part I, pp. 101-2.

The following June the Committee on Commerce submitted a report which declared: "Car shortages, which once were confined to the Midwest during harvest seasons, have become increasingly more frequent, more severe and nationwide in scope as the national freight car supply has plummeted."[32]

As to the magnitude of the shortages, the report maintains: "Already this year, before the beginning of the harvest season, shippers are demanding 7,500 cars more daily than the railroads can provide. Over the past 20 weeks, boxcar shortages have averaged more than 4,000 cars short per day. Gondola shortages have averaged well over 1,300 daily and flatcar shortages have exceeded 300 per day in this same period."[33]

The ICC Study of Freight Car Supply

Despite the foregoing allegations, the recent hearings on freight car supply conducted by the Senate Subcommittee on Surface Transportation tend to cast some doubt on the thesis that the railroad industry suffers from a secular deficiency in freight cars. The Interstate Commerce Commission required all Class I and Class II railroads to submit information on car orders and supply for each of 12 randomly selected days over a 12-month period, specifically, Jan. 29, 1968, to Jan. 23, 1969.

Although the commission did find the railroads' performance to be "inadequate throughout 1968 in most regions of the country," it conceded that "the regional problem is not so much the availability of sufficient cars to fill current shippers' orders as the use of the cars within a region."[34]

The commission continued: "Even in regions where the supplying of a type of car to fill shippers' requests involved the greatest delay, availability in general was at least twice the

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[31] Joseph Campbell, Comptroller General of the United States, letter to Warren G. Magnuson, chairman, Committee on Commerce, U.S. Senate, dated May 6, 1965, in *Freight Car Shortages*, Senate Report No. 386, 89th Congress, 1st Session, June 30, 1965, p. 10.

[32] *Ibid.*, p. 1-2.

[33] *Ibid.*, p. 3.

[34] *Report of the Results of Freight Car Study in Ex Parte No. 252 (Sub. No. 1)*, Appendix A, *Freight Car Supply*, Hearing before the Subcommittee on Surface Transportation of the Committee in Commerce, United States Senate, 91st Congress, 1st session, May 13, 1969 (Washington, D.C., 1969), p. 9.

Table 1. Plain boxcars and covered hopper cars available, ordered, deficiency and surplus in Midwest Region,[1] Jan. 29, 1968, to Jan. 23, 1969

	General service boxcars (unequipped)		Covered hopper cars	
	Ave. daily number	Percent of total available	Ave. daily number	Percent of total available
In hands of railroads at beginning of day (a)	16,059	71.7	8,140	72.1
Received by railroads during day (b)	6,351	28.3	3,147	27.9
Total available to railroads (c) = (a) + (b)	22,410	100.0	11,287	100.0
Cars ordered by shippers (d)	6,305	28.1	3,624	32.1
Net surplus (e) = (c) − (d)	16,105	71.9	7,663	67.9
Total deficiency (f)	1,567	7.0	748	6.6
Total surplus (g) = (d) + (f)	17,672	78.9	8,411	74.5

[1] The Midwest Region consists of Colorado, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin and Wyoming.

Source: *Report of the Results of Freight Car Study in Ex Parte No. 252 (Sub No.1), Appendix A, Freight Car Supply*, Hearing before the Subcommittee on Surface Transportation of the Committee of Commerce, United States Senate, 91st Congress, 1st Session, May 13, 1969 (Washington, D.C., 1969), pp. 31-2.

current orders . . . [I]t appears that, on an annual basis, the problem is not primarily one of inter-regional distribution of cars."[35]

Furthermore, where deficiencies in car supply were present, they usually were of relatively short duration. As the commission put it: "For most car types in most zones less than 3% of the orders were unfilled after 4 days delay."[36]

The relationship of boxcars and covered hopper cars ordered to those available in the Midwest Region and the days of delay in filling these orders are set forth in Tables 1 and 2, respectively. Table 1 reveals that there were three boxcars and covered hopper cars to every one ordered by shippers on an average day in 1968. Nevertheless, owing to maldistribution within the region, there were still deficiencies in car availability equal to 20 to 25 % of the cars ordered. On the other hand, the delays in filling orders do not generally seem to have been lengthy. Almost 80% of car orders were filled with less than one day's delay and more than 97% were filled within four days.

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[35] *Loc. cit.*

[36] *Ibid.*, p. 12.

Table 2. Plain boxcars and covered hopper cars distributed by number of days' delay in Midwest Region, Jan. 29, 1968, to Jan. 23, 1969.

Days delayed	General service boxcars (unequipped)		Covered hopper cars	
	Number	Percent	Number	Percent
Total	1,114,296	100.0	739,464	100.0
No. of days' delay:				
Less than 1 day	886,728	79.6	590,472	79.9
1 - 2 days	143,424	12.9	124,680	16.9
3 - 4 days	52,392	4.7	12,648	1.7
5 - 6 days	11,568	1.1	5,424	0.7
7 - 8 days	7,968	0.7	2,232	0.3
9 - 10 days	7,152	0.6	2,304	0.3
11 - 12 days	1,416	0.1	480	[1]
More than 12 days	3,648	0.3	1,224	0.2
Ave. No. of days delayed	1.06		0.88	

[1] Less than 1/10 of 1%

Source: *Report of Results of Freight Car Study in Ex Parte No. 252 (Sub No. 1)*, Appendix A, *Freight Car Supply*, pp. 50 and 68.

Another reason for doubt as to the existence of a serious over-all deficiency in freight cars is the relative ease with which ralroad equipment can be financed. As Gilbert Burck has commented:

> "Since locomotives and cars can be repossessed, financing them is almost risk-free . . . so during the past decade the carriers spent an average of more than $900 million a year on locomotives and cars. But other investment, such as new yards and line revisions, had to come largely out of cash flow and amounted to only $300 million a year."[37]

The Economic Test of Freight Car Adequacy

While the foregoing considerations may raise doubts as to the existence of a long-run freight car shortage, they are certainly not controlling.

The crucial issue is: Do the railroads, as a group, have the incentive to invest in freight cars up to the point that the discounted expected future earnings of such equipment will equal the prevailing rate of interest?

The answer is: It all depends upon the relationship of the per diem rate to expected daily ownership costs to the home road. Even though per diem payments cancel out for the railroad system, as a whole, they play a crucial role in the investment decision process.

If the per diem rate is insufficient to defray expected daily ownership costs of newly acquired cars, then railroads will need to anticipate earnings for home line use in excess of the prevailing rate of interest before undertaking such investment.

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[37] Gilbert Burck, "The Railroads are Running Scared," *Fortune* (June, 1969), pp. 123-4.

By the same token, if the per diem rate is more than sufficient to defray expected daily ownership costs of new freight cars, then an anticipated rate of return for home line use of less than the prevailing interest rate will still induce new car purchases.[38]

It should be emphasized that any "shortage" in the over-all supply of freight cars is relative to a given level of effectiveness in the utilization of existing equipment. This follows from the definition of a shortage as an excess in the expected rate of return from the home line use of new equipment over the prevailing rate of interest. Thus, an improvement in car utilization could easily transform the shortage into a surplus by depressing the anticipated earnings of further additions to the fleet.

The underlying conditions for a shortage would not presumably have been removed by such improved utilization, however, and, in the absence of further change, freight car additions would be curtailed until anticipated earnings from the home line use of new equipment once more rose sufficiently above the appropriate discount rate to establish a new equilibrium.

From this it can be concluded that a solution to the problem of an adequate freight car supply necessitates a simultaneous attack upon car utilization and the size of the fleet itself.

If, for example, the per diem rate is less than the current expected daily ownership costs of a particular freight car, equating the per diem rate with such ownership costs so as to encourage increased car ownership is inappropriate so long as the utilization of the existing fleet is unsatisfactory. In short, neither the problem of car utilization nor of fleet size can be solved in isolation.

The Inadequacy of the Per Diem Rate

The next question is: Has the per diem rate generally been of sufficient magnitude to cover prospective daily ownership costs of new equipment?

The answer, it would appear, is "no."

On the basis of a cross-section analysis of the relationship between car maintenance costs and car age and of various assumptions as to car life, car prices and the rate of interest, Grunfeld found that the per diem rate in effect from Jan. 1, 1957, to

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[38] Cf. Yehuda Grunfeld, "The Effect of the Per Diem Rate on the Efficiency and Size of the American Railroad Freight Car Fleet," *Journal of Business* (January, 1959), p. 56.

Dec. 1, 1959, viz., $2.75, would justify the purchase of a $10,000 car only if the rate of interest were 3% and the certain life of the car was 50 years. It would justify the purchase of a car lasting 20 years only if the interest rate were 3% and the car cost no more than $7,000. At 6% a $6,000 car could be justified only if it would last for 50 years.[39]

As of Jan. 1, 1964, a system of multi-level per diem rates was adopted by the Association of American Railroads. Rather than a single per diem rate, a series of per diem rates, which varied with the depreciated original cost per car, was established. The following year, the number of per diem groups was increased from 6 to 9, with the per diem rate varying from $2.16 for a car having an unamortized cost of $1,000 to $12.18 for one whose original cost less depreciation was currently more than $35,000.[40]

Robert Tosterud has computed the rate of return to the owner of a freight car used exclusively on foreign lines, pursuant to the foregoing multi-level per diem schedule. He notes that, for a $19,000 freight car having a life of 30 years, the rate of return, even with zero maintenance and repair, is still only 3%.[41]

On Jan. 30, 1968, the Interstate Commerce Commission in Chicago, Burlington and Quincy Railroad Co., *et.al.*, *v.* New York, Susquehanna and Western Railroad Co., *et.al.*,[42] promulgated a car-rental charge combining per diem and mileage charges. Some 21 cost bracket groups were established, the first bracket representing cars of less than $1,000 in value and the remaining brackets characterized by $2,000 class intervals. Mileage charges were to vary with the cost bracket and the time charge with both the cost bracket and the age of the freight car.[43]

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[39] Grunfeld, *op. cit.*, pp. 62-3. The average cost of new boxcars at the time Grunfeld was writing (1959) was $9,851, while covered hopper cars cost an average of $11,532. ICC, *Transport Statistics in the United States*, Part I, Railroads, Release 2 (Washington, D.C., 1960) p. 28. An expected life of 30 years would probably have been a reasonable one in 1959. While some 22% of all freight cars were 30 years of age or over in 1959, the average age was 18½ years at a time when the freight-car fleet had been undergoing more or less continuous contraction for a number of years. American Railway Car Institute, *Railroad Car Facts, 1959* (New York: 1960), pp. 2-4, and ICC, *Transport Statistics in the United States*, Part I, Railroads, Final Release (Washington, D.C., 1966), p. 50.

[40] The complete per diem schedule is set forth in AAR, *Code of Car Service Rules, Code of Per Diem Rules*, Circular OT-10-B (Washington, D.C., 1968), p. 6.

[41] Robert J. Tosterud, *Economics of the Boxcar Supply* (Unpublished M.S. thesis; Fargo, N.D.: North Dakota State University, 1969), p. 136.

[42] 332 ICC 176 (1968)

[43] *Ibid.*, pp. 242-3.

In the future, the mileage and per diem rates were to be computed from cost data for the most recent four-year period[44] and yield a 6% rate of return on depreciated original cost.[45]

This most recent system of freight car-rental payments, while it considers more fully the variables involved in ownership costs, nonetheless continues to construe those costs as past, not prospective. Certainly, a 6% rate of return on original cost will not compensate an owner of a new freight car who must borrow at 8½% or more.

It should be pointed out, in this connection, that Congress has conferred upon the Interstate Commerce Commission, pursuant to Public Law 89-430 of May 26, 1966, authority to impose so-called "incentive" per diem charges over and above the ownership costs of freight cars.

The commission could prescribe such increased compensation whenever, in its judgment, such incentive element would "provide just and reasonable compensation to freight car owners, contribute to sound car service practices (including efficient utilization and distribution of cars), and encourage the acquisition and maintenance of a car supply adequate to meet the needs of commerce and the national defense."[46]

In Ex Parte No. 252, *Incentive Per Diem Charges*, the Interstate Commerce Commission on Oct. 3, 1967, discontinued a proceeding for the imposition of interim incentive per diem charges on the ground that existing information on unfilled orders was inadequate to fulfill statutory standards.[47]

Furthermore, an even more comprehensive study of freight car supply was ordered by the commission for 1969-1970.[48] Whatever the study reveals with respect to car deficiencies and surpluses, it will be of doubtful relevance insofar as determining an appropriate per diem rate is concerned.

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[44] *Ibid.*, p. 230.

[45] *Ibid.*, p. 213.

[46] 80 Stat. 168 (1966).

[47] 322 ICC 11, 17 (1967). Subsequent to the time the foregoing paragraphs were written, a schedule of incentive per diem charges for general service unequipped boxcars was adopted by the Interstate Commerce Commission in Ex Parte No. 252 (Sub. No. 1). Pursuant to this order, the incentive charges in effect from September through February of each year would yield the owners of boxcars on foreign lines an 18% return during these months, or an average annual return of 12%. The net credit balance accruing to any railroad from these incentive charges is to be employed only for the purpose of acquiring boxcars over and above such railroad's average additions in the preceding five years. ICC, Ex Parte No. 252 (Sub. No. 1), decided April 28, 1970 (April 30, 1970), Appendix B, pp. 3-4.

[48] Order, Ex Parte No. 252 (Sub. No. 1), Incentive Per Diem Charges, 1968 (Jan. 24, 1969).

A Proposed Solution

The customary method for accomplishing the transfer of privately produced goods and services in the United States is through the operation of a market for their sale or rental. Whatever may be the influence of the individual buyer or seller upon the sale price or the rental charge, all such transactions have the important merit of being voluntary.

Owing to the fact that connecting and terminating carriers of interline shipments are involuntary renters of freight cars, the utilization of the market mechanism to establish the rental charge for freight cars would appear, on the face of it, to be inappropriate. How can the rental charge be determined by the forces of the market when one of the parties, the railroad receiving a foreign car, cannot refuse to enter into the transaction?

While the involuntary nature of the existing car-rental system would appear to weigh against a market for the allocation of freight cars, the creation of a market in which prospective renters and owners would be free to participate or refrain from participating is, nonetheless, a distinct possibility.

Insofar as the initial movement of a freight car to an off-line destination is involved, the participating railroads are still free to negotiate a division of the joint rate, taking into consideration the rental value of the freight cars employed in transporting the goods from origin to destination. Furthermore, whatever the constraints on freedom of negotiation in the initial off-line movement, they are absent for any subsequent movements of the freight car on foreign lines.

Once a foreign car has completed its original off-line journey, its disposition could then be determined by a process of bidding for its use. Per diem rates would be established by the competition of railroads and shippers for cars, and the proceeds would be paid to the owning railroad or private car company after the deduction of a broker's fee. Cars would presumably be rented on a delivered basis, and a mileage payment would be made to any carrier participating in the movement of the car to the location designated by the renter.

Under such a system, cars would be classified by size and type and graded by quality, whenever relevant. Car rental charges would be a function of these variables, as well as of the season of the year and of the distance which the freight car must travel to reach the shipper.

The Car Service Division of the AAR or some newly established organization could undertake the creation and operation of a freight car rental exchange. The Automatic Car Identification System, which is soon to be in operation,[49] should be invaluable in the assembly of the information necessary to operate such a market.

There would appear to be a number of important advantages to be derived from the adoption of a market system of freight car rentals:

1. The existing car fleet would be allocated on the basis of economic considerations of productivity rather than legal considerations of ownership and administrative determinations of relative shipper need. Empty car mileage should be greatly reduced through the elimination of rules designed to move cars, whether loaded or empty, in the direction of the home line. Nevertheless, owners could always assume possession of their own cars merely by making a mileage payment to one of their own junctions. Finally, per diem rates would fluctuate with seasonal variations in the intensity of demand.

2. Carriers which might not have participated in the joint rate for the movement of a particular carload of goods would no longer be charged for the privilege of transporting empty cars to or toward an owner's lines. As David E. Smucker, Vice President of Operations, Pennsylvania Railroad, remarked in the 1965 hearings on the freight car shortage: "In view of the short haul we receive in the loaded movement, we should not only be relieved of per diem but actually compensated by the owner for moving the car empty in long haul."[50]

The rental system suggested here would provide such compensation for all empty-haul transport.

3. Whenever, despite improvements in car utilization, the anticipated proceeds from freight car rental rose above prospective ownership costs, railroads would be induced to add to the existing fleet. Thus, a freight car-rental exchange system would contribute to the simultaneous solution of the long-run, as well as the short-run, problem of freight car supply.

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[49] Burck, *op. cit.*, p. 191.

[50] David E. Smucker, "Statement," *Freight Car Shortages*, Hearings, pp. 100-1.

Senator CURTIS. My understanding is that Mr. Robert Shively, director of economic development, Nebraska Public Power District of Columbus and Mr. Max Kiburz, general manager, Loup River Public Power District, of Columbus, are willing at this time to have their manuscripts submitted for the record and they will be printed as though delivered.

If they will come forward and hand these to the staff, we will appreciate it very much. We thank you, and we assure you that they will have appropriate attention.

(The statements are as follows:)

STATEMENT OF ROBERT W. SHIVELY, INDUSTRIAL DEVELOPMENT MANAGER, NEBRASKA PUBLIC POWER DISTRICT, COLUMBUS, NEBR.

Mr. SHIVELY. Senator Humphrey, members of the Rural Development Subcommittee, and friends.

My name is Robert W. Shively. I am industrial development manager for Nebraska Public Power District. Since 1954 I have been engaged in occupations relating to the economic development of small communities in Wyoming and Nebraska. In addition to my present position with Nebraska Public Power District, I am currently serving as chairman of the Economic Development Council of the Nebraska Association of Commerce and Industry and have just completed a term as chairman of the Nebraska Small Business Advisory Council.

Nebraska Public Power District is a statewide, fully integrated electric utility owned by the people of Nebraska, governed by a board of directors elected by the people, and managed by a professional staff employed by the board of directors. We serve 358 communities in Nebraska either at retail or wholesale and furnish wholesale electric power to 26 rural power districts. We are dedicated to improving the economic position of our service area and have a staff of four in our industrial development department.

First of all, let me make it clear that we do not advocate industrial development or any other economic development program as a substitute for a sound agricultural economy. Rural America, by definition, is an agricultural society, and improvements in agricultural prosperity will do more for improving life in rural America and stemming the flow of people to metropolitan areas than any other economic development program. There are others more qualified than I to discuss the problems of agriculture, however, so I will direct my remarks to nonagricultural economic development for rural America.

Life in rural America must be in line with and not in lieu of the opportunities in the cities. Rural Americans expect, and have the right to expect, economic opportunity comparable to that in metropolitan areas. Rural Americans expect, and have a right to expect, educational facilities as good as those in the cities. Rural Americans expect, and have the right to expect, housing, medical care, and recreational and cultural opportunities as good as those available to other citizens. We must be able to enjoy rural living without sacrificing economic opportunity or educational and cultural advantages. If people are forced to choose between substandard living in rural America and economic advancement in the city, they have demonstrated they will choose the city.

Therefore, Federal, State, and local programs for the development of rural America must have two basic objectives:

(1) To improve economic opportunity and raise per capita incomes.

(2) To improve the quality of life.

The attraction of industrial payrolls is one way to create economic opportunity and improve per capita income in rural America. But we need special help because we have special problems. Rural America generally is removed from the major markets and concentrations of population. This is especially true in the Great Plains. In addition to our distance from markets, we have transportation disadvantages. Improved transportation in rural America would do much to make this area more atractive to industries. Consequently, I recommend three steps be taken by the Federal Government to improve transportation facilities in rural America.

(1) Following the completion of the Interstate Highway System as presently planned, freeway/expressway-type highways should be extended to rural areas to encourage industry to locate there and to facilitate the movement of agricultural products to market. The Nebraska 20-year freeway/expressway plan scheduled for completion by 1989 is an example of the highway programs that should be made available to rural America (see attached map). A highway system like this throughout rural America would open up vast new areas for industrial locations.

(2) The availability of commercial air service has become a requisite for the location of industry. Many sizable communities in Nebraska do not have commercial airline service, and several of those communities presently enjoying it are threatened with cessation of service or a decrease in the level of service. It is not economically feasible for many of these communities to be served by trunk or local service airlines. They could, however, support third level or commuter airline service, providing the third level airlines receive the same encouragement from the Federal Government that trunk lines have received in the past and local service airlines presently receive. I propose the Federal Government adopt a program of encouraging third-level airline service to smaller communities by providing the same type of subsidy program for them that helped develop the vast network of commercial airlines we now have. The extension of commercial service through third-level airlines would help greatly in encouraging industry to locate in smaller communities, facilitate the movement of freight and personnel, and make life in smaller communities more enjoyable by improving their accessability to metropolitan areas for shopping, business, and vacation trips.

(3) The present freight rate structure in America, especially that of the railroads, greatly discriminates against rural areas. It was developed before the turn of the century and was designed to facilitate the movement of raw materials from the West and Middle West to the manufacturing centers of the East. The same basic rate structure exists today. It encourages the movement of raw materials from the produc-

ing areas in the Middle West and discourages the development of processing and manufacturing plants there. At the same time it encourages the further concentration of manufacturing in the established areas, principally in the East and Northeast. I propose that the Congress authorize a study to determine what steps are necessary to eliminate the present discriminatory freight rates that encourage the concentration of industry in a small area of the country and discourage the development of industry in rural areas.

If we improve transportation and eliminate discriminatory freight rates in rural America, we will enable more industries to locate there and do so on a basis that makes economic sense not only to the community but to the company and to the Nation.

Another problem facing rural America in its efforts to attract industry is the shortage of mortgage money. Not only is there a shortage of capital, but the risk to the investor is greater because of the small market for a facility in the event it is vacated by the original occupant. To develop new sources of capital, many States have turned to development bonds issued by political subdivisions to finance manufacturing plants. While these programs have not been confined to rural communities, they have found greater use there because of the lack of mortgage money typical in the small community. At the present time section 103 of the Internal Revenue Code limits industrial development bonds to those projects requiring a capital investment of $5 million or less. This is insufficient, and I propose that section 103 be amended to increase the exemption from $5 to $12 million in nonmetropolitan areas.

Programs that will enhance the quality of life in rural America include those that will improve housing, water and sewer systems, recreational opportunities, medical care, and educational and cultural facilities. Many Federal programs already exist to help communities solve these problems, but they are inadequately funded. The first thing the Federal Government should do is adequately fund present programs available to rural America for the development of public works projects, medical facilities, educational opportunities, housing, etc. It should not launch new grant programs until it is adequately funding present ones. If it is trying to fund more programs than it can handle, it should eliminate entirely lower priority programs and do an adequate job on those remaining.

Establishing grant programs without adequate funding causes communities to line up for the money available, often delaying construction of needed improvements for several years, stifling local action, and aggravating the problem the grant program was supposed to solve.

The proposed revenue-sharing program may be the best solution to the problem of inadequate funding of Federal grant programs. In this way each State could put the money into the programs most needed in that State.

Small towns in rural America have a special need in financing public improvements such as water and sewer systems. Improvement bonds in small communities are often difficult to sell, and, consequently, require a higher rate of return to the investor and a high rate of interest to the community. In addition to funding grant programs at a higher level, the Federal Government should create a loan-guarantee program for improvement bonds issued by political subdivisions in nonmetropolitan areas. This guarantee by the Federal Government would eliminate the risk to the investor, reducing the interest rates now being paid in rural areas for improvement bonds and increasing the market for those bonds.

The Department of Housing and Urban Development must become oriented to rural America or its programs transferred to an agency that is. For example, our small towns need housing for the elderly and low-income people. Yet HUD will not approve a multihousing project unless it is large enough to support a full-time manager, usually a minimum of 50 units. Most small towns don't need 50 units. They need 10 units or 25 units. Since this size project won't support a full-time manager, they are passed over by HUD in the allocation of funds.

Possible solutions would be to transfer all HUD housing programs for cities under 10,000 population to the Farmers Home Administration, or to establish a rural housing agency under Housing and Urban Development.

The HUD program that has been most effective in rural Nebraska has been its "new look on Main Street" program developed by HUD's Chicago office and implemented in Nebraska by HUD's supervisory architect, Lockwood Martling. Many Nebraska towns have availed themselves of Mr. Martling's expertise to improve the appearance of "Main Street." It has been highly successful in stimulating business and community morale and confidence. Recently, however, HUD has indicated it is dropping this program, and I urge that steps be taken not only to continue it, but to expand it.

One program urgently needed to improve economic conditions and enhance recreational opportunities is the complete development of our soil and water resources. The Soil Conservation Service has been in existence for nearly 40 years, and yet less than 35 percent of our land needing conservation treatment is receiving it. The Department of Agriculture should expand the soil conservation program, and increase the funding with the goal that all agricultural land needing it will receive conservation treatment within 10 years. Soil and water conservation practices reduce flooding, silting, and pollution of our streams; preserve soil; improve crop production; prevent erosion; provide wildllife habitat; create recreational opportunities; and stabilize streamflow and water tables. Much of the engineering work has already been done. With adequate funding and encouragement from the Federal Government, the construction of the necessary structures and the installation of conservation practices would provide an immediate economic input into rural areas and create recreational opportunities to improve the quality of life. It would be an investment in America's future. In addition to increased funding, the Department of Agriculture could encourage the application of conservation practices by eliminating commodity subsidy programs on crops grown on land not adequately treated after the 10-year program.

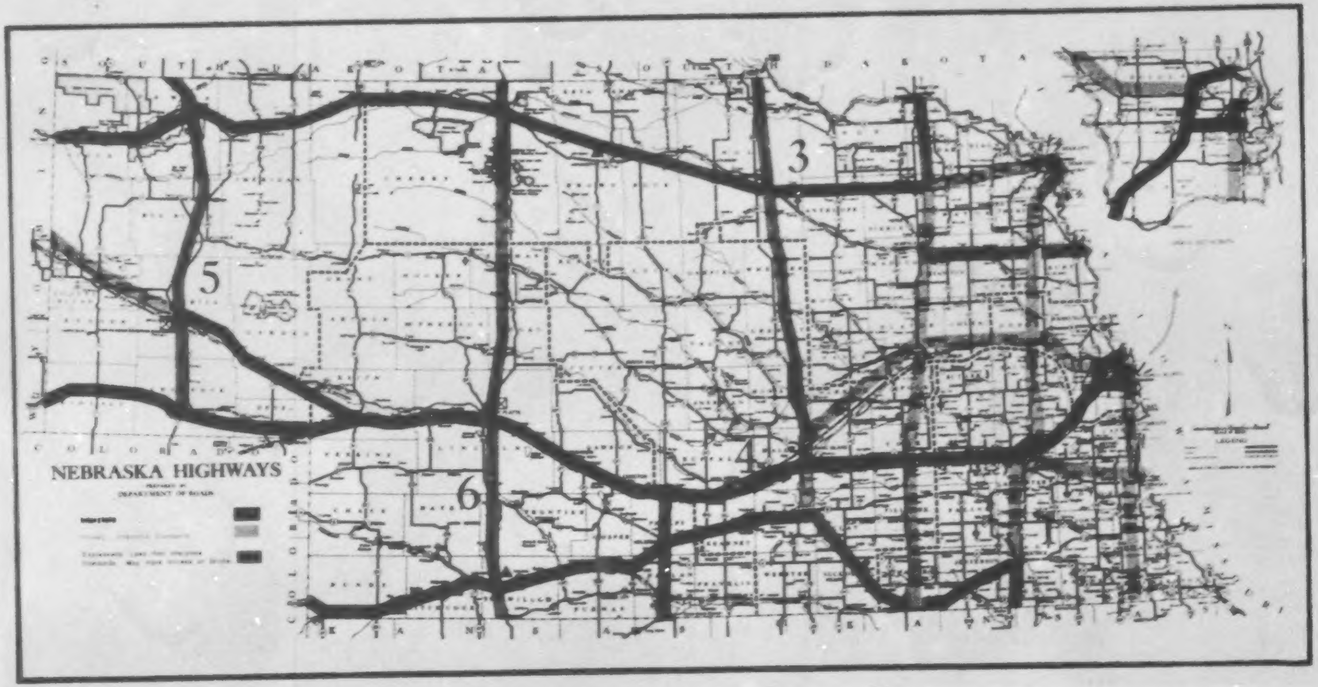
The programs I have outlined would do much to enable rural America to compete with metropolitan areas in the attraction of new industry and the retention of its citizens. But most important is the need for a national policy designed to preserve and develop the economic and social life of rural America. Without the establishment of this policy at the highest level of government, rural America will continue to decline as a vital part of the American dream. I hope that as a result of the work of this Senate subcommittee, such a statement of policy can be enacted into law and a Rural Affairs Council be established with the same authority and prestige as that enjoyed by the Urban Affairs Council.

If a balanced growth policy for rural America becomes national policy, the Federal Government should set an example for private industry by decentralizing its own offices and facilities. There is no justification for Federal offices being concentrated in large Federal buildings in the biggest cities in the country. The Federal Government should adopt and implement a policy of locating its offices in smaller cities whenever possible. It is inconsistent for the Federal Government to encourage private industry to locate in smaller cities, when it continues to concentrate its own offices in metropolitan areas.

Finally, Congress should pass legislation giving the Department of Defense the authority to require defense-related industries to disperse research and development and production facilities throughout the country as a passive defense against nuclear attack.

The economic situation in rural America is dire. The continuing loss of population and, conversely, the continuing congestion of our metropolitan areas are problems that must be attacked at the highest level of government. I commend this Senate subcommittee for the interest you have shown in the problems of rural America and in seeking solutions to those problems.

NEBRASKA DEPARTMENT OF ROADS
FREEWAY – EXPRESSWAY PLAN
20-YEAR PLAN: 1969 – 1989


SOUTH DAKOTA
3
4
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COLORADO
KANSAS
MISSOURI
NEBRASKA HIGHWAYS
PREPARED BY DEPARTMENT OF ROADS

STATEMENT OF MAX KIBURZ, GENERAL MANAGER, LOUP RIVER PUBLIC POWER DISTRICT, COLUMBUS, NEBR.

Mr. Kiburz. The Loup River public power district is a public corporation and political subdivision of the State of Nebraska, organized pursuant to laws of the State of Nebraska.

The district provides electric service in the four counties of Nance, Boone, Platte, and Colfax in Nebraska. These four counties comprise an area of 2,198 square miles and have a population of 49,338. The district provides electric service at retail to over 11,000 customers in 17 communities, and supplies five towns and one REA district at wholesale. The district is governed by a 10-man board of directors that are elected by the people from subdivisions in the four-county area, so that we have one director for each 5,000 people in the area. The district has no power of taxation, but must be self-sufficient as an operating organization, and does have the power to issue revenue bonds to pay for construction that may be required.

The Loup district and, in fact, the entire public power setup in the State of Nebraska, was born when a group of dedicated Columbus people decide, in the depression of the thirties, to pull themselves up by their own bootstraps. These dedicated people took it upon themselves to create work, badly needed work, in this area, by the construction of a canal and a powerplant which would utilize the water out of the Loup River to generate power. In order to do this, they had to work with the Federal Government to get Federal financing under the Reconstruction Finance Corporation, to get the project started. Of course, the Government could not finance the project unless they had a market for the power, and because of the unwillingness of the private power companies to work with them, the only way they could find a market for their power and get their project going was to create the public power districts and buy out the private power companies in the State. This was the start of what ended up with Nebraska being the only all-public power State in the United States. All of the money loaned by the Federal Government to complete this original Loup project has been paid back to the Federal Government.

The electric industry has maintained stable rates over a long period of time largely because of their rapid growth and the improved technology which provided each new source of power at a lower cost than the previous sources. Because of this it is good business for our utility to work and spend money to promote the growth in our area. If we are successful in bringing a new industry into our area we not only secure the new electric load which is included in the operation of their plant but also, over a period of time, we will secure the electric load represented by the additional residences of those people that are employed in their plant. An adequate and reasonably priced source of electricity is of course of prime concern to any new industry that would consider locating in our area. Our utility is in shape to provide the electrical requirements of practically any industry that would decide to locate in this area to provide electric service for the residences of their employees. Our district has rates that are highly competitive with other sources of energy and with electricity in the surrounding areas. Our district was proud that they could lower their rates by 4 per cent on May 1 of this year. The reasonableness of our rates is testified to by the fact that 80 per cent of the new homes that are constructed in our area are all-electric. I am sure this would not be true if we did not have good and reasonable rates for our electric service.

Our district has been greatly involved in activities that brought new industries to this area in the past as testified to by the industrial site on the eastern edge of Columbus which is now full. This industrial site was promoted and developed by the Loup District. The first industry that located on this industrial site was the Becton-Dickenson Manufacturing Co., of New Jersey, which manufactures medical equipment. Since starting operations in Columbus B-D has built plants at Holdrege and Broken Bow, Nebr. This firm came here in the late forties and were first housed in a building which the Loup District was building for a warehouse and which was later sold to Becton-Dickenson. Other occupants there are the Dale Electronics Co., which is a division of the Lionel Corp.—they manufacture electronic equipment; the Behlen Manufacturing Co. was at one time housed on this site but they are now on an industrial site further east of town—they are a home grown industry that manufacturers farm equipment such as grain bins and buildings; Fleischer Manufacturing Co. is also on this site—they manufacture minimum tillage equipment for farming; Columbus Hydraulics manufactures hydraulic equipment; Henke Manufacturing manufactures farm equipment.

In 1964 the Loup District acquired another industrial site a few miles east of Columbus. The first industry to move to this Canal Industrial Site was the Douglas and Lomason Co. This plant manufactures frames for automobile seats. Several things contributed to bringing this industry to Nebraska. One was the fact that the land was readily available at a reasonable cost—they did not have to fool around procuring the land. Two, Behlen Manufacturing Co. was equipped to build them a building so they could get into operation very quickly. This company moved to Columbus and were in operation in less than 2 months after they made the decision to move here.

The District is a strong agency that helps bring industry here, but there are many other things that are of equal importance when it comes to attracting industry to our area.

The attitude of the community toward industry is a major factor. Columbus has been blessed with people who are able to put aside their petty differences and work together to attract new industry. Until a community is willing to do this an industry is going to be extremely reluctant to move to the area. We have also found that some of the strongest supporters and workers to bring new industries to our area are the people in the industry that have moved here from other areas. I think their testimony to a prospective industry carries a lot more weight than the people that are in other businesses in the area because they are saying to these people, "we made the decision to come to this area when we were in the same boat that you are and we have been extremely happy with our decision or we would not be here asking you to come to this community also." Columbus firms have fine relations with their employees; their wage rates are considerably higher than comparable wages in the surrounding areas and there is a great deal of cooperation and communication between the personnel people of the various manufacturing and industrial concerns.

Of course the industries are vitally concerned as to how much they get out of their employees. This depends upon the ability of the employees and the willingness of these employees to put out a full day's work. Industries have found that people in this area have the ability to work in their plants. This is because of the way they have been raised on farms and in urban communities—they've had an opportunity to overhaul their bicycles and their cars; they've gained a measure of mechanical competence that is probably not found in very many of the large cities. The willingness to work is also here for two reasons.

1. Because most of these people have had to work from their youth; it has been a style of life in their home, and 2, the employers have tried to maintain an atmosphere that will encourage them to work in their plants.

I think one of the most important things is the good living for all of the employees of the concern that locates in this area. This takes on many aspects. If we just look at a few of these in Columbus which have influenced this in the past we will find that Columbus has a very fine elementary school system, they have just completed a junior college which is also strong in vocational teaching which is made available and coordinated with the industries in the area to supply their needs. We have a fine golf course and country club, we have a fine municipal golf course. We are accessible to the metropolitan area of Lincoln and Omaha within about an hour and a half drive. We have very fine hunting in the immediate area.

We have a fine lake which is part of a peaking reservoir owned by the power district. The construction of this lake is an indication of the feeling of the power district for the community. This is a 200-acre lake, and the way it was constructed required some wave protection. This could be done by either concrete walls to protect the banks or by a gradually sloping bank. The lake was constructed with fairly flat sloping banks which were covered with gravel so that we have a 200-acre lake with a complete beach on all four sides so that it is a very fine recreation area for this community and this area.

We have an area here which is basically made up of relatively small communities so that practically any place in town in Columbus you can be to work within 5 minutes after you leave your residence; you have plenty of time to go home for lunch; you have plenty of time to go out for recreation or for other outside activities after your normal day of work is done. This is extremely important for some people.

We have an outstanding example, in our area, of what a small industry can do to support a small community. This is in the town of Lindsay (population 291) where the Lindsay Manufacturing Co., manufactures irrigation equipment. This town is growing, is prosperous, and has a fine spirit because there is an industry that is providing jobs in the community.

Our district does many things to promote industry in our area. Besides having the industrial sites which are readily available for a new industry that is looking for a place to locate we also had a study made by a consulting firm back in 1966 which is an economic study of the Columbus region. This is an inventory basically of the facilities, the raw materials, the railroads and those other things that are available in this area for an industry that would be interested in examining this area.

We have been active in the industrial contact team which is a branch of the chamber of commerce which is the organization that works constantly to try to bring new industry into this area. We maintain parks and lakes associated with our hydraulic operation so that they are available for the people in this area for their recreation. We have good relation with the game department of the State of Nebraska to keep wildlife in this area so that the hunting will be better for the people's recreation.

We assist in providing scholarships for people in our area at the college. Some of our employees have served as part-time instructors in particular areas in which they are competent. We have seen more and more, as time goes on, that it is necessary for us to develop a region which works more closely together than it has in the past. This is the reason that we had the study made by Becks back in 1966 because with today's means of transportation a community does not stand on its own feet but must work in cooperation with other communities in the area. We know that one of our manufacturing plants ran a survey and found that they had people working in their plant from 40 different communities in the surrounding area so we feel that in the future we want to develop a more unified effort from our four-county area to bring new industry into this area. The study that Becks made in the evaluation of resources and other facilities concentrated on an area surrounding Columbus. Our board of directors come from the four counties that we serve so that they are in a position to serve as a nucleus to get the area working together. We feel that there are many industries and branches of larger industries that could work very efficiently and economically in some of the small communities in our four-county area.

It is not very practical to expect someone to tell an industry to locate in this particular town.

We hope that our district can serve as a catalyst that draws the four-county area together to make a unified effort to bring new industry to this area. To do this we expect to have readily available the data on the resources and facilities in this area that a prospective industry would consider before moving here. We will try to keep an active organization that will work with any prospective industry. We will help to develop a cooperative attitude and a progressive area that will make an industry anxious to locate here.

Rural America communities are experiencing an outmigration of population. Declining population in the rural areas is basically caused by the lack of opportunity for people to earn a respectable living, while at the same time the United States is presently facing many major problems in the urban and metropolitan areas primarily caused by overpopulation and overindustrialization. It appears that a solution to one problem could actually solve both of these major problems in the United States.

Therefore, we feel this should be a major concern of every Senator, Congressman, State legislator and city council member regardless of size of the area represented because the future of our Nation depends on the solution of these problems. The problem of rural America is people without money or just plain no people. We recommend the objective of this subcommittee to be to create legislation that will bring or keep people in rural America. The major objective to be kept in mind in accomplishing or approaching this problem is the creation of job opportunity. If job opportunities are provided, we will be able to help ourselves as we already have some governmental tools to provide housing, transportation, education and medical facilities, but without job opportunity, rural America and its citizens cannot take advantage of the tools now provided by our National Government. We, therefore, encourage this Subcommittee on Rural Development to initiate a study that would provide incentives for industries to locate in towns or villages under 25,000 population. Direct and indirect incentives such as contributions or guarantees for the cost of the land, for capital additions, for moving expenses, for employee training, and for transportation and marketing expenses will encourage industry to move out of the metropolitan area and into the rural area. An effective program to bring industry to rural America by direct or indirect incentives, in our opinion, will solve many of the problems facing our Nation today including the overpopulation and overindustrialization of the metropolitan areas as well as helping rural America.

Senator CURTIS. Now, we will call as our last witness Mr. Alan Hansen.

STATEMENT OF ALAN HANSEN, EXECUTIVE DIRECTOR, VISION-17, LINCOLN, NEBR.

Mr. HANSEN. Senator Curtis, Senator Bellmon, I would like to first refer to some notes. You do have our written testimony so that we will shorten that. It is getting late.

Senator CURTIS. Would you have your associates identify themselves? You are Mr. Hansen?

Mr. HANSEN. I am indeed. I would like to introduce at my far right Mayor Jack Wolken, mayor of Tecumseh, the acting president of Vision-17, Inc. Next to him is Bob Peterson, Lincoln, Nebr., who is a homebuilder and has been active in our organization. Next to him is Commissioner Vrtiska of Table Rock, chairman of the Pawnee County Board of Commissioners, a farmer and a very active citizen.

Senator CURTIS. It has been my privilege to know a little bit about Vision-17 but before you get into the subject would you tell us what Vision-17 is and what its objectives are?

Mr. HANSEN. The map of Nebraska I delivered to you includes in the lower righthand corner, southeast corner of the State, the outline of the 17 counties that have organized themselves as a private, nonprofit economic development organization that is designed to stimulate the economy of southeast Nebraska, trying to make the 17 counties a better place for people to live and work and raise children and retire. The businessmen in the area organized this organization about 4 years ago.

There are 230 supporters I suppose in the neighborhood counties, municipalities, businesses, utilities, community organizations and private individuals. We are set up to get action. We are not a research organization. We are not a planning organization. We are an activating organization. We are trying to make things happen in southeast Nebraska, to increase the economic level of the activities there.

All of these things are joint efforts. We do not necessarily believe that we—we know we don't do these things ourselves. We try to work with the communities, to identify the problems that the communities have, and then focus the resources of the Nebraska public power districts, Nebraska Department of Economic Development, et cetera, to come in to resolve the problems that we have identified.

Working together with many, many organizations, we have been involved in the Southeast Nebraska Health Planning Council, for instance, rural water districts, increased poultry development, pork processing, rural public transportation, tourism, industrial promotion, outside the area helping communities have retail services in the small towns having problems. Most of all, I think we have created an attitude of hope and expectation in the sense of communities in 17 counties so that the people feel maybe this thing is really going to go.

But the things that we have done are really picayune compared to the things that need to be done and there is a great deal that lies ahead.

You have heard the problem many times: We need more and better jobs. In order to get those, people have to invest money in the area but why should they invest money in southeast Nebraska? What is the glory of the investment opportunities here? It is a very complex problem. The fact is that neither Vision–17 nor local communities have the resources to bring in industry. Others do. The department of economic development, banks, utilities, railroads, et cetera, are in the industrial recruiting business. Therefore, what is our role?

Our role then is to work with the communities to make the communities more attractive so that when the recruiters do bring prospects into the area, we have a place to show them other than Omaha and Lincoln, both of which are fine places but we would like to get the rural counties moving, too. This means, then, that the communities need to be working on industrial sites and housing and vocational housing and health care and recreation and transportation to develop the quality of living that would be like the suburbs, the cities.

Rural towns and counties have difficulty getting help. You heard about that before. Either the Federal programs don't fit the small towns or the volunteers have neither the time nor the resources to figure through this very demanding process, as you heard today.

As an example, last year Mr. Vrtiska and others in Table Rock decided to try to build five houses in that community. So they contacted Bob Peterson who is in the housing business. I would like to call on Bob just to relate to you what happened.

STATEMENT OF ROBERT E. PETERSON, VICE PRESIDENT, PETERSON CONSTRUCTION CO., LINCOLN, NEBR., ALSO REPRESENTING VISION–17

Mr. PETERSON. Senators, obviously this is not a comprehensive dissertation on the housing problems but as Al indicated is an example.

Pursuant to inquires from Mr. Vrtiska and other similar ones over the years, I have tried to respond to see what could be done for housing in small communities, believing as a free enterpriser, if somebody needs something, maybe there is a chance to make a profit, to supply it.

I have identified the problems in my mind sort of as follows: Income, cost, down payment, lending policies, appraisals, and information flow. Of course, you have heard today over and over how low the incomes are in the areas in question. This, of course, turns up an inability to purchase housing of the desired type.

Now, costs. There seems to be a myth that is prevalent among lenders and Federal agencies that housing costs should be lower in rural areas. This is not true, particularly if the area has a small population that cannot support its own building industry. It is necessary to bring in a builder from the city. He probably will bring his higher priced labor with him and then the material will either have to flow through a very low volume local outfit or have to be transported by a builder.

Value, as reflected in appraisals, is likely to be understated because of the belief that there are lower costs there when in fact the opposite is true. Then in addition, there may be a lower percentage of loan available because of the supposedly lower marketability in this lower area.

If fewer people are going to buy this product, then perhaps we had better value it lower so that we are save on our loans, the type of thing we are talking about.

More discouraging yet, I have become convinced that there is reluctance on the part of officials in Housing and Urban Development and the Farmers Home Administration to make subsidy funds available in the smallest communities because they are enough of a free enterprise loan-type person to fear for the future of their loan money, their principal. They say, "The town might die, our principal might be lost." "We are the custodians of public funds." "Therefore we won't make the loan."

I think this is sad, that the Federal Government wont have confidence in the community that is trying to improve itself, and I think that the attitude ought to be changed.

Nobody wants to take a chance on the small communities except the people that live there, is what I am saying. This is the problem in my mind.

Finally, there is something in this field that you have heard today and other fields—there is a considerable difficulty in making usable information about applicable Federal housing programs readily available to local community leadership, most of which is working on a voluntary basis, don't have a lot of time to dig into the thing, don't have a staff available to do it.

Solutions: I think we need a determination, a commitment at the Federal level to get housing built in rural communities. Possibly we should identify a portion of this Nation's housing goal as its rural housing goal. I believe the figure of 300,000 units every year has been suggested as one idea, but some figure for rural housing.

Willingness on the part of the Federal agencies to be a lender of last resort if necessary and to appraise costs on the basis of true costs and deemphasize this concept of limited marketability as not valid.

Finally, information flow: Improve flow of information and assistance to local community leadership that demonstrates initiative in solving their local housing problems. This doesn't mean "jam it to them," but if they are interested enough to ask, have the answers available. This should take the form of assistance to organizations such as Vision–17 as well as making staff people available within these agencies oriented toward solving the rural housing problem and have the necessary backgrounds in housing production for advice available from such sources to enable them to get their job done.

STATEMENT OF FLOYD F. VRTISKA, CHAIRMAN, PAWNEE COUNTY BOARD OF COMMISSIONERS, TABLE ROCK, NEBR., ALSO REPRESENTING VISION–17

Mr. VRTISKA. Perhaps I should say that I am a little bit like the "go-go" girl at the Sunday school meeting—a little bit out of place. There has been a parade of distinguished people here today and I am just a poor country boy that has got a desire to stay in the country and try and make a living.

We have talked about economically depressed areas, rural areas that are so badly depressed. Our county is unique in the fact that it was declared by the Federal Government as an economically depressed area. When we were told of this, and made all the requests and met with the people from Duluth and they gave us the good news, if you want to call it that, that we were moved up, you might say, in the ratings because of the condition of our county and our area; but then came the sad news that there wasn't any funding, and to this day, although the towns that are in the county, county seat of Pawnee—I am from Table Rock which is a comparatively small town, less than 500 people—other communities have made applications to the people where they thought there was funding available, and they found out through various—which has been brought out a dozen times today—because we are so small, we are kind of looked over and forgotten, tripped over, and the basic point I would like to make to this committee, and I think it has been stressed but I don't think it can be stressed enough, is that a town such as I come from, a county such as I come from, doesn't have the resources, doesn't have the expertise, doesn't have the people with the time and the knowledge to go out and fight all this Federal redtape that we have to—that we come into.

I spent a lot of time—I can't complain about the Federal Government. I even went to Washington, made a trip there at my own personal expense, trying to break down some of the barriers on the sewer system. We were successful coming to the Congress and Senate that put a pitch in for us. This thing got hung up for 2 years. When I got back, people from other communities said, "How did you go about this?" I went to the communities and talked to them, and when they found out all the redtape and time it took, they threw up their hands in despair. They were confused. Perhaps I confused them because I was confused.

So I think the biggest thing that this organization we are talking about today can do is help counties cut this multitude of redtape and get us to where we want to go in the shortest distance, because the communities like ours can only survive with some type of help, and somebody that can provide the expertise and knowledge, without having to hire and pay for it.

Senator CURTIS. May I ask, they report they had no funds. What programs specifically were you referring to.

Mr. **Vrtiska.** Perhaps I misstated it. They didn't have funds, but we didn't qualify. We were talking at the time of three different areas: Rural water district, a garment factory in Pawnee City—and at the present time they are still in the works—and industrial development site in my community.

On every one of these, we have applied through EDA, because we felt and were told by people from this segment of the Government, this is where to go, because they would help us and they had the funds. But in each case, either we didn't have the knowledge, didn't have the expertise, didn't understand; at least, we were turned down before we were able to acquire any help.

Senator **Curtis.** Did you get help for the water district?

Mr. **Vrtiska.** Right.

Senator **Curtis.** Vision-17?

Mr. **Vrtiska.** We certainly thank you and your staff and the people that put in a lot of time. Of course, we went to another agency. We went to the Farmers——

Senator **Curtis.** Farmers Home Administration?

Mr. **Vrtiska.** Yes, to get this money. However, there we were disappointed; I should say that people who worked on it, bcause they felt there was some help in this form of grant.

Senator **Curtis.** And some agency allowed you training money for the garment industry?

Mr. **Vrtiska.** Right.

Senator **Curtis.** But did the garment industry ever come?

Mr. **Vrtiska.** Yes.

Senator **Curtis.** How many people does it employ?

Mr. **Vrtiska.** It is just now being erected.

Senator **Curtis.** Whereabouts?

Mr. **Vrtiska.** In Pawnee City.

Senator **Curtis.** What employment do they anticipate?

Mr. **Vrtiska.** I understand about 50. We, even at the local level in my community, put together money and got an SBA loan to bring in a sawmill industry that is employing about eight to 10 people.

Senator **Curtis.** I was going to ask about that. I read the accounts of it in the press.

Mr. **Vrtiska.** It is now in operation. But my point——

Senator **Curtis.** It is employing how many people?

Mr. **Vrtiska.** They anticipate it will employ 10; they are employing around eight permanently now, and they anticipate employing three or four more.

Senator **Curtis.** This is at Table Rock?

Mr. **Vrtiska.** Right. My point, though, that I am saying—and I told these fellows I am a poor example to come up here and complain to the Federal Government—my only point is, so many of these things we did acquire, but it takes such a terrific amount of time on the part of people who are volunteering. We are trying to save it through an organization such as we are talking about. Some of this could be done because the people in Pawnee City and the people in the county and people in various towns have had to do it on their time, take time from their jobs. I try to make a living farming. They talk about the farm crop report. They talk about the price going down. You feel it ought to be going up, what little you have left. I don't have the time. These other people who have donated their precious time from their labors to do a job that is difficult——

Senator CURTIS. Well, I don't want to detract from the criticism of the Federal bureaucracy; they are entitled to more criticism than we can accumulate here in 2 or 3 days. As a matter of fact, you were kind to mention the work of my office in connection with these things. I have a very dedicated staff, and they often work until 7:30 or 8 o'clock. But I admire your persistence, and I think Vision–17 has done a good job. One garment factory, one sawmill, and your water district.

I didn't intend to do the testifying. You go ahead.

Mr. HANSEN. Senator Curtis, in the matter of housing, I would like to ask Mr. Wolken to relate to us very briefly the way we went at it trying to get something done. We knew last year we had a housing problem, and our board of directors said do something about housing, so as soon as the State finished their studies, we then began our action which resulted in taking the housing survey that the professionals of the housing business said do it, and we did do a housing survey in the city of Tecumseh, and I would like to ask Mr. Wolken to comment on that.

STATEMENT OF JACK D. WOLKEN, MAYOR, TECUMSEH, NEBR., AND ACTING VICE PRESIDENT, VISION–17

Mr. WOLKEN. Senator Curtis and Senator Bellmon, I think we have something that is an effective approach to the problem. We are a locally directed, nonpolitical group. Vision–17 has a freedom and flexibility that Government just doesn't have. And the private group is a strong advocate to take a position when needed, something Government just cannot do.

I kind of go along with Floyd. We have been working with some programs with Senator Curtis' office, like the airport we are finally getting the funds for, but in less than a month, Vision–17, with the cooperation of the Nebraska Department of Economic Development, the city of Tecumseh, the Young Women's Group, the Southeast Nebraska Community Action, and local workers, were able to conduct a housing survey whereby they went from door to door, delivered a questionnaire, explained it to the people, and followed it up by picking it up; and we got over 600 questionnaires back, and we delivered a little over 700. So we worked the town real well.

Of this, the first 500 responses, 127 indicated that they would like to see a change in their housing. They would like to have some housing built, 27 percent. And this took us less than a month. We started this the first of August. We have the information now.

Senator CURTIS. Have you had any luck getting any housing?

Mr. WOLKEN. It is too soon.

Mr. HANSEN. The people in the money business, building business, said, "First get a demonstrated market. Let us know what the specific needs are. We know you need housing. How many houses?" This is what we are getting.

I hope we have a model now that we can use for the other communities in southeast Nebraska and the State of Nebraska that the department of economic development can then take out and start to operate.

It is this cooperative kind of thing, agencies working together, public and private, State, local, and Federal, that is going to make a difference here. And if I might, I would like to summarize with three points the suggested role for the Federal Government; which is in our testimony and I will simply read it briefly.

Senator CURTIS. By the way, your entire document will be printed in the record. I want to commend you for it. You not only have a good organization that is trying to serve the people but you developed your testimony well.

Mr. VRTISKA. Senator Curtis, can I make one comment with your permission? You asked what funds were available and the thought came to me we were talking with the HUD people about low-cost housing. They told us there were no funds available for a town our size because of the lack of facilities. We quite frankly received a very bad reception. We were kind of received like a bad relative. They were glad to see us but hoped we would leave pretty quick so they could get back to their task.

People that are donating like myself and a great many people in our area, go away with a very saddened heart about the attitudes of people who display this type of attitude toward us and this is one thing I wanted to tell you, that we were told there was no funding available.

Mr. HANSEN. There are two points I would like to summarize, Mr. Chairman, of our testimony here. One is that communities are not in a position to be responsive to Federal programs. You have heard this today now. particularly from the mayors, the OEO people, et cetera. We strongly believe that the Federal program very much like the concerted services in training and education program that has been funded block area 8 for us through the Department of Labor should be made available to each of the rural States in order to activate economic development programs in their block areas, multicounty units or wherever it might be. It is a staffing problem. There are no people out there. It is cheaper to put them out there. These men spend 80 percent of their time in the local area and 20 percent of what their agency responsibilities are; they could be effective, could work with leaders like the gentlemen here, get their organizations going and get economic developments in their areas.

The second point—I won't mention the third one—the second point is that the Federal Government should set an example by moving significant elements of the Federal agencies into the rural areas. Transportation and communication are such that it is unnecessary and unwise to aggregate Federal funds in a dozen areas around the country. It would seem this would be the easiest of steps to begin to realize the national flow of commerce. There are things you can do at the Federal level, there are things our State officials can do at the State level; and there are things that only we at the community level can do. The community people must have help and I think this is the feeling that all of us have who are trying to work here.

Senator CURTIS. Have you had any occasion to explore the possibility of section 701 of the Housing Act that has a nonmetropolitan multiple-county planning?

Mr. HANSEN. This may be the result of the next step. We are going to take our housing survey back to the same group of professionals and say you ought to have a housing survey and discuss that with them.

There are several opportunities that we could, perhaps, avail ourselves of. One would be the section 701. Another thing might be to create a housing development authority such that OEO funds can—housing development corporation that would be a housing advocate for the rural area. I am not sure how we would go about it. I know there are two or three ways that we can go. I want to get the advice of these professionals—HUD, FHA, equity money people, savings and loan people, builders, et cetera, before we take any step and this is a group of 30 people that are in the housing business and as a result it comes to the Tecumseh survey and that meeting, then our next action step would be to do something, maybe create such an organization as I infer you are suggesting.

Senator CURTIS. Now, you mentioned about your activities in Johnson and Pawnee Counties. How about the West End, for Vision–17—Thayer, Fillmore, and up north, Polk Saunders? Is this typical of what you are talking about, all the 17 counties?

Mr. HANSEN. Yes, sir; and I am sure it is typical of Nebraska.

Senator CURTIS. Yes; and what has been your success in getting new industry in some of these other places, Vision–17 counties?

Mr. HANSEN. We have had very little success in getting new industry into the rural areas. I am not referring to Lincoln because Lincoln has many attractions and it is a good place for industry to locate. We are not prepared to accept new industry in many of our communities and this has to do with the unattractiveness of either the community itself or the lack of industrial sites or the disorganization that volunteer, part-time people evidence as a locator comes into town and he has a checklist of things he is looking for and says what would this cost and all the community can say is well, we will work on it; don't worry about it; it is no problem. They don't have the data, so 166 communities, 17 counties, it takes—it is a critical mass problem. We are out, as I say, bear hunting with a switch and we need to have more ammunition in order to help these communities help themselves.

There are all kinds of categorical grants and things that could be worked out but the agency, the poor fellow in the agency, if he has 166 towns visiting him, no wonder he is bewildered and each one has its own little thing but if we can get organized on a regional basis so that we can come in collectively on various kinds of problems than I think we have got a run for it; but we have a lot of backup work that we have to do before we can really say we are attractive.

Pawnee City did get an industry, Table Rock did get an industry. Plattesmouth has recently obtained an industry. We are working on the egg production thing that would be in this area. That will employ 130 people, something like that. We are working on a pork producing plant that produces 200 or 300 jobs, I suppose, and these are long, slow, arduous processes involving many people and it takes manpower to get those things done.

Senator CURTIS. Senator Bellmon?

Senator BELLMON. No questions.

Senator CURTIS. I hope you will not feel because of the fact that you have testified late in the evening that your testimony is not appreciated. I regard it very highly and do appreciate having you here.

I don't want to cut anybody off. This entire matter will be printed in our record.

The printed record will be studied thoroughly and we do appreciate your contribution to these hearings.

Mr. HANSEN. We have had good contact with the staff, and have enjoyed this and find it profitable in the same way we have found it dealing with the people in your office—Don Shasteen in particular, and we have no fears about the fact that this will be typical work and we are honored to be here.

Senator CURTIS. Thank you very much.

Mr. HANSEN. Thank you.

Vision–17, Inc. is a private, non-profit Nebraska Corporation dedicated to the stimulation of economic development within its service area. The 17 counties of Southeast Nebraska shown in Exhibit I cover approximately 10,000-square-miles and contain about 360,000 people living in or near 165 communities.

Vision–17, during its 4 years of existence, has been supported financially by about 230 contributors including county government, municipal government, banks, utilities, private businesses, civic organizations, and individuals.

The Board of Directors is structured to include three board members from each county. One is designated by the county Board of Supervisors and two are elected by non-public members of that county. The Executive Committee of the Board of Directors consists of the officers of the organization and is structured to include one officer from each of the six Planning and Development Regions coterminous with the 17 county area.

The Vision–17 office is located at 5555 "O" Street, Lincoln, Nebr. The purpose of Vision–17 is broad development. As described in the Articles of Incorporation, they are:

(1) To act as a multi-county coordinating unit for area development of economic growth in the seventeen (17) Southeast Nebraska Counties of Butler, Cass, Fillmore, Gage, Jefferson, Johnson, Lancaster, Nemaha, Otoe, Pawnee, Polk, Richardson, Saline, Saunders, Seward, Thayer, and York.

(2) To advance the agricultural, commercial, educational, employment and economic interests of this area.

(3) To act as a promoter of adult education, job training, vocational skills and other noncurricular educational assistance for the benefit of business corporations and individuals in the area of the corporation.

(4) To act as an agency responsible for coordinating the development efforts of communities and subregions in Southeast Nebraska without favoring any individual community.

(5) To do any and all things necessary or advisable to carryout these purposes.

OPERATION

Vision–17 operates as an Activator; an organization that makes things happen. The method has been to organize local leadership to set direction and priority for local economic development needs, and then attempt to focus the available resources on solving those problems. It is a matter of coordination and leadership. Working with existing public and private local institutions as well as State and Federal organizations in bringing resources to bear on the selected problems.

Originally, the staff consisted of one man and a part-time secretary serving the 17-county area. As the idea of an organization like Vision-17 became established in Southeast Nebraska and as the build-up of projects continued, it became apparent 2 years ago that the one man staff was not going to be adequate to do the work required. An effort was made to set up county-wide economic development commissions in each of the 17 counties and to pull the leadership of the counties together in regular meetings so the Vision-17 staff man could work with them as county units. The theory was that by helping them with resources and lending ideas and support, he could magnify his efforts by what they could carry out with his help.

It became apparent that, while this is a valid approach, it is far too slow to get necessary development and to keep people's attitudes strongly positive so that they would be inclined to pursue additional projects.

We then concluded that the only way sufficient results were going to be obtained in a short enough period of time to be worthwhile was to have a full-time staff. It was decided to employ one economic development person for each of the six planning and development regions in the Vision-17 area. Application was made through the Department of Agriculture to the Concerted Services in Training and Education Program, a jointly sponsored pilot program to encourage economic development in rural counties. While CSTE was unable to furnish us with financial support for six people, they did agree to provide support for one person. Mr. James H. Childe is now employed in planning and development region No. 8 which consists of Butler, Seward and Saline Counties. That funding has been provided by the Department of Labor through CSTE to the Nebraska State Department of Labor who have contracted the work to Vision-17.

Planning and development regions No. 7 and No. 14 have been staffed by the Community Action Agencies operating in those areas. In planning and development region No. 7, which consists of Pawnee, Johnson, Nemaha, and Richardson Counties, the Southeast Nebraska Community Action Council, Inc. has employed Mr. George Drake to pursue economic development matters. Planning and development region No. 14, consisting of Gage, Jefferson, and Thayer Counties, has been provided an economic development director, Mr. Frank MacKnight, through Blue Valley Community Action, Inc., headquartered in Fairbury, Nebr.

Further efforts to secure funds to finance an economic development person in planning and development region No. 4, consisting of Saunders, Cass and Otoe Counties and planning and development region No. 9, consisting of Fillmore, York, and Polk Counties has been unsuccessful at State and Federal levels. The matter is currently being pursued through Congressman Charles Thone and Senators Carl Curtis and Roman Hruska. They are working with the Office of Management and Budget to develop a funding pattern.

Although these men have been employed only a few months and although two of the men are working for agencies whose principal concern is with the poor, which may impose unproductive postures on their work, the results they have obtained have been dramatic. (See exhibit III.) It is clear that these activities would very likely not have been accomplished had it not been for the presence of Mr. Childe, Mr. Drake, and Mr. MacKnight in their respective planning and development regions.

A Regional Coordinator, George H. Frye, has been employed by Vision–17 to assist these men, to coordinate their activities that cross planning region boundaries, and perform other work for the area as a whole. We believe that this pattern of areawide activities such as helping develop patterns of health care, vocational education, housing and industrial promotion, in combination with local activities particular to each county, is a solid combination. Both levels of activity are required, just as statewide and federal level activity is required.

OPERATING PRINCIPLES

The foundation of our country is participatory democracy. The people are the government. The country is great because of people, not great because of institutions. Our system requires a process whereby people can be adequately informed about issues and involved in the solution of them. Alvin Toffler in *Future Shock*, Random House, N.Y., 1970, pp. 421–430, says that, "even well-educated, middle class citizens feel hopelessly excluded from the goal setting process." Ivan Illich, *Deschooling Society*, Harper & Row, N.Y., 1971 (reprinted in Intellectual Digest, 9/71), suggest further that institutions are not necessarily good for people and are indeed harmful as they develop remoteness from the people and start to develop internally directed goals and objectives.

In earlier and simpler times, communities had to provide for their own needs. People were generally able to work together effectively because they knew one another well. They belonged to the same farm organizations, served on various community committees, and were familiar with the attitudes of one another through many different formal and informal interactions. That is much less the case now. For one thing, there are many requirements imposed upon a community by higher jurisdictional levels. The old, one-room school building which the men of a community easily built themselves is no longer allowed. Men in the community are clearly not capable of building a modern school with local resources only. Financing frequently involves the Federal Government. The process of building a new school, or other similarly complex undertakings, is generally perplexing and frustrating to community leaders. The easy thing to do is to call in a consultant or follow a pattern suggested by State or Federal Government authorities or agencies. Local leadership is then left with a negative impact, that is the knowledge that they have gone through something they do not understand and something they cannot explain effectively to the rest of the community. Great care, patience, and resources need to be extended to bring issues to the community, help people develop an understanding of those issues, and then carry out the wishes of the community rather than working on projects about which the community knows little or nothing and are the ideas of institutionalized experts.

Second, we believe that every effort should be made to work through existing resources before new agencies and new organizations are introduced to attempt to solve problems. This relates to the desirable familiarity described above. Existing resources have evolved over the years to meet the needs of communities. People know about them. Such institutions may well be able to meet the new needs of communities by either addressing themselves to those needs, as currently perceived by community leadership, or by modifying their delivery system slightly to meet the changed conditions. These should be abandoned and new institutions developed to solve the problems only if they prove to be incapable of satisfactory delivery of service.

Unfortunately, the concept of participatory democracy has been effectively neglected with the exception of the Economic Opportunity Act of 1964 which, although there is a wide opinion about the effectiveness of the program, did specify the participation of the people in the community as a cornerstone of its community action title. People can run their community; we must develop systems and commit resources to allow them to do so. An informed citizenry can focus and modify the resources of existing institutions to solve community problems. It is of extraordinary importance to boldly reactivate the concept of participatory democracy.

RESULTS

No one agency can claim full credit for almost any economic development activity that takes place in a community or region. Vision 17 has been involved in one way or another as an initiator, helper, promoter or a pilot demonstrator in projects ranging from helping to establish the Southeast Nebraska Health Planning Council, initiating rural water district development, increasing poultry production, establishing a cooperative tourism effort, pursuing an agricultural processing industry, organizing post high school vocational and general education, helping towns in danger of losing retail services, as well as environmental improvement and industrial promotion.

Through regional seminars, local meetings, and demonstrations, action has developed in these areas. Most importantly, however, in spite of a record of dwindling population and economy, a positive change in attitude has taken place in Southeast Nebraska. We know that we can make this part of Nebraska a sound, thriving area for men and women to live, work and raise their families.

PROBLEMS

There are too few people in the rural part of our 17-county area to justify the kind of service that urban areas require. As a result of massive technological changes that have taken place in our primary business, agriculture, rural to urban migration has left southeast Nebraska with not enough people or production to justify topflight air and rail service. There are not enough attractive investment opportunities to draw money into the area. There are not enough entrepreneurs to generate the kind of economic activity that could draw money into the area. Local government units often serve too few people to be economical. Our social and economic plant, developed to serve an earlier era, is worn, inappropriate to today, and expensive. Yet the "Let it die" attitude is grossly out of place. Every avenue must be explored in the effort to rehabilitate rural America.

URGENCY

There is an urgency in the matter of regenerating the vitality of the rural areas that is related to the age of the rural population. Nebraska is one of two States with the oldest populations in the Union. 12.4 percent of its citizens are 65 years of age and over. In communities of less than 10,000 people, the population age 65 and over amounts to 15 percent of the total. Farmers average about 56 years of age. It is well known that in many instances children of these people have left the State. This means estates will frequently be dispersed to other parts of the country when older people die. To lose that wealth will wrench the economy and produce severe hardship. As the buying power generated by these older people is removed, retail stores and services will suffer. Businesses will close and result in a further deterioration of community services that are already marginal.

New strength must be infused into the area so inheritors of estates will be inclined to leave their investments because of anticipated profitability rather than taking that wealth out of the area.

There is an enormous need for immediate and massive action by the Federal Government to infuse resources into rural America to enable these areas to regain their vitality while they can. Failure to do so could well result in further deterioration of a scale witnessed by the outmigation that has taken place over the last 30 years.

NATIONAL IMPLICATIONS

There is a vitality in this Nation that is struggling to express itself. Leaving aside debates about Vietnam, fiscal and monetary policy, and so forth, the vitality of the Nation is being thwarted by an absurd imbalance of population distribution. Cities are too heavily populated and rural areas are too sparse. National economic policies have produced this imbalance and will continue to promote it. A redirection of that policy to make public cost of industry a part of that industries inplant cost and to make rural areas more attractive, needs to be implemented within the framework of our freedom of choice heritage. Such a policy should be attractive to cities because it would relieve them of pressures that are thwarting their proper operation and development because of diseconomies of scale.

Cities are one part of the national problem, and we, in the rural area, are another part. We are, in fact, the solution to the problems of the cities.

SOLUTION

It is deceiving simply to state that what we need in the rural areas are more and better jobs for the people here. "More and better jobs" is the result of a complex solution process. It is obvious, for instance, that there must be an investment made to create jobs in a rural area. But why would anyone choose to make such an investment when he has a choice of making an alternate investment which appears to have greater promise of return? It could be that he sees a community that is trying to raise itself by its own bootstraps, where there is an attitude of hope and aggressive growth: new water and sewer systems, a swimming pool, a new school building, modern housing, rehabilitated downtown areas, an efficient government system and perhaps the presence of an enrepreneur who has migrated into the area to develop a business. It may be that there is a particularly good program of vocational training available in the area, or that a community or county has developed a modern industrial site or built a shell building into which an industry could move. There are many aspects of what is really an integrated process, where emphasis on any one will have a measurable impact on the other elements of the total. The adage that "a rising tide lifts all ships" is appropriate here. The urgency of the problem requires that many approaches be taken simultaneously.

It then becomes a matter for various levels of the community to do those things that each can best do. States, sub-State regions, and local counties and communities can participate effectively by trying to make themselves attractive. They can also work to expand industry that already exists in the area. It is said that approximately 80 percent of the jobs created in a given area are developed from resources that already exist. This is probably more accurate in larger population areas than in rural Nebraska—but it does make good sense to attempt to improve that which we already have. In the case of Nebraska, such development clearly should emphasize the expansion of the processing of agriculture products. Agriculture is our No. 1 business and livestock production accounts for approximately 60 percent of that. Yet we ship altogether too much livestock and feed grain to other areas rather than extending the processing as far as it is economical to do so before the product leaves the State.

At the Federal level, the Government needs to enact legislation that will shape national policy, for the problem is nationwide in scope. What for instance is the national cost of our huge metropolitan areas? What is the public cost to a community when a new industry is formed in an already crowded area? What is the public cost when an industry joins others to magnify the pollution of our natural resources? National policy must recognize these factors and put the cost where it belongs, on those contributing to the problem.

Since at this point there is little indication of national direction in resolving this problem, it is the position of the Vision-17 program to approach the matter of rural development from several aspects and to try to do what the leadership of the area feels needs to be done within the limits of our resources. The goal statement, "To make the 17 counties a better place for people to live, work, invest money, raise children, and retire" is intended for the people living here—and to make it more attractive for those who may come.

PROGRAM

Planning

The August 1971 meeting of the Vision-17 board of directors to which other economic development people were invited was the annual goal setting meeting to plan the balance of 1971, and the full year of 1972. The following areas of activity were prescribed by the board for the coming year:

(1) Water conservation: basin management and conservancy districts.

(2) Housing: stimulate new construction in and around rural communities.

(3) Industrial site development: at least one prepared site in each county.

(4) Greater participation in the unique Nebraska community improvement program.

(5) Transportation for people and product.

(6) Community college: vocational-technical education—help organize a useful system in southeast Nebraska pursuant to recently enacted State legislation.

(7) Tourism: help local communities work together to make attractive packages.

(8) Assist local government in their efforts to modernize and provide better service.

These will be refined into specific objectives from which a stated workplan will then be developed and scheduled.

Execution

A specific example of our program processing in housing. The board of directors had previously indicated that we should do something about the condition of the housing plant in southeast Nebraska. Contact with the State department of economic development revealed that they had been involved since last winter in developing statistical information about the condition of housing in the State and had developed recommendations for what needed to be done about it. Working with Stan Matzke, Director of the Department of Economic Development and Ms. Marie Arnot and Don Sievers of his staff, we evolved an action plan for southeast Nebraska.

The first step was to call a meeting of the professionals in the area of housing. Representatives of the Farmers Home Administration, HUD, banks, equity companies, builders, and community leaders were brought together in a select meeting to discuss what could be done. (The minutes are included as exhibit IV.) The result of that meeting was the resolution that we should conduct a survey of specific housing market demands in a typical community in order that we could move from the "We need more housing" generality to a specific statement of what kinds of families with what kinds of income desired what kinds of houses. Considerable deliberation led to the selection of the city of Tecumseh in Johnson County as being probably indicative of what the housing situation could be expected to be in many other communities of southeast Nebraska. Mayor Jack Wolke:, who is also the acting president of Vision-17 this year, was contacted and agreed to actively assist in such a housing survey. Working cooperatively with the city of Tecumseh, the State department of economic development and the news media, we have conducted that housing survey. The detailed results are shown in exhibit V.

We now intend to reconvene the meeting of professionals held earlier to go over the results with them and decide on an action program to get something going in the housing sector of our economic development efforts.

Note: The conversation between Mr. Floyd Vrtiska of Table Rock, Nebr., an active citizen leader of his community, and Mr. Robert Peterson of Lincoln, Nebr., a homebuilder, in the public hearing before the Rural Development Subcommittee of the Senate Agriculture and Forestry Committee on September 10, 1971, will be later appended to this testimony as an integral part of it. They will be discussing the problems of a community leader and a concerned builder trying to work together to develop more housing for a rural community.

SUGGESTED ROLE FOR THE FEDERAL GOVERNMENT

One. Communities are not in a position to be responsive to Federal programs. We strongly believe that a Federal program very much like the concerted services in training and education program should be made available to each of the rural States to activate economic development programs in their rural areas. It is our belief that although these men might be attached administratively to State or Federal agencies, that they should spend no more than 30–40 percent of their time on projects that involve areas beyond the boundaries of their signed development units; 60–70 percent of their time should be spent on local development efforts under the direction of an advisory committee composed of public and private leaders within the area. Our experience indicates that this pattern would virtually guarantee significant economic development in each of these areas.

Two. The Federal Government should set an example by moving significant elements of Federal agencies into rural areas. Transportation and communications are such that it is unnecessary and unwise to aggregate Federal functions in a dozen areas around the country. It would seem that this would be the easiest of steps to begin to realine the national flow of commerce.

Three. National policy should be to enact legislation that will drive financial resources into the rural areas. Congressman Thone's bill, H.R. 9693, "The Consolidated Farm and Rural Development Act" is entirely appropriate as a part of the pattern of the kind of legislation that will be helpful.

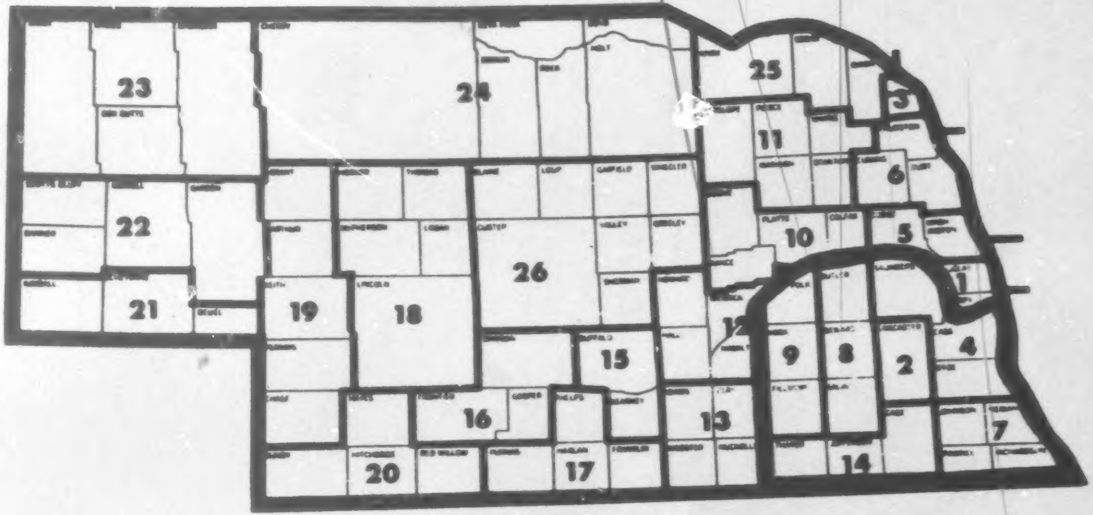
Finally there are a great many people, some paid, some working as volunteers who are dedicated and extending every effort to develop rural America. Underfinanced communities, counties, and States are working hard to achieve gain, but they are discouraged by the reaction of the Federal Government to these problems. The feeling exists that although there has been considerable talk about the plight of the rural areas and the overcrowding of the cities that nothing substantive has been done about it.

We have great hope that this distinguished subcommittee will, as a result of its current efforts, be able to infuse the Congress with a clear understanding of the crashing significance of this problem, and get action. Visition–17 and the other institutions of southeast Nebraska stand ready to assist this process in any way within their capability.
Vision–17, Inc.

(The exhibits attached to Mr. Hansen's statement are as follows:)

Exhibit I

NEBRASKA PLANNING and DEVELOPMENT REGIONS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BLOCK #	OPERATOR
2	Vision-17, Inc.
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7	Southeast Ne. Community Action Council, Inc.
8	Vision-17, Inc. (CSTE)
9	---
14	Blue Valley Community Action, Inc.

EXHIBIT II

A
REPORT TO
SOUTHEAST
NEBRASKA
-1970-

VISION - 17, Inc.

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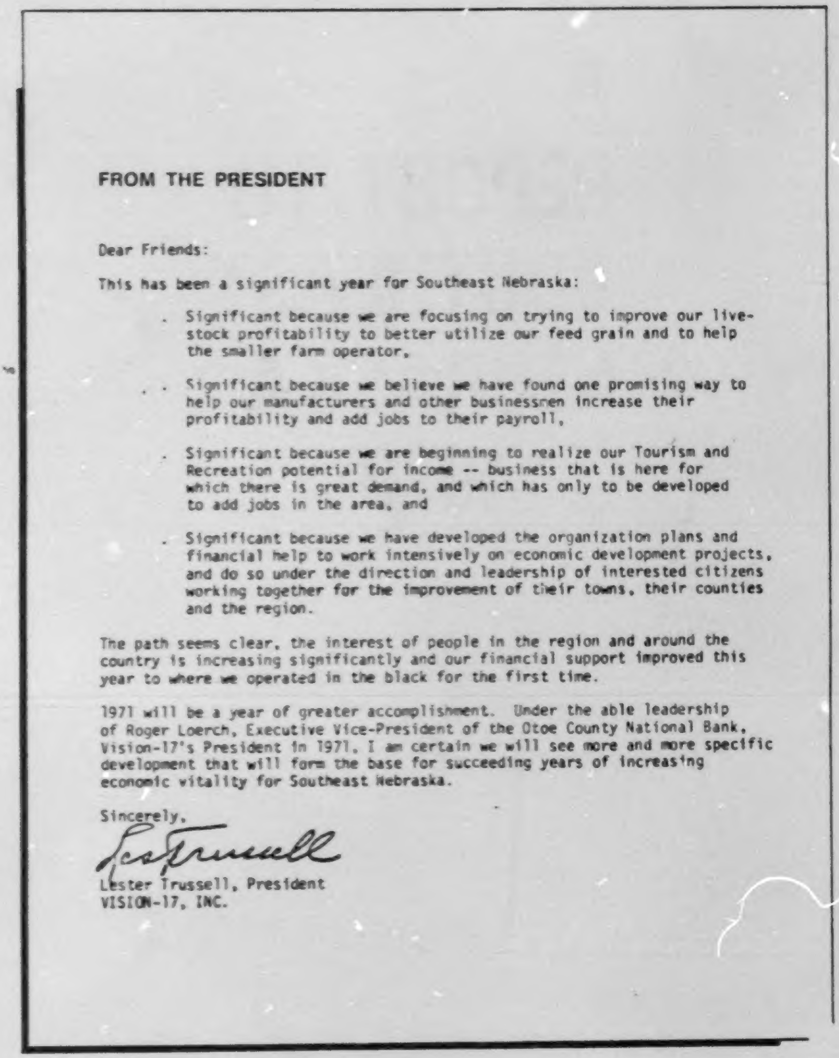


FROM THE PRESIDENT

Dear Friends:

This has been a significant year for Southeast Nebraska:

- Significant because we are focusing on trying to improve our livestock profitability to better utilize our feed grain and to help the smaller farm operator,
- Significant because we believe we have found one promising way to help our manufacturers and other businessmen increase their profitability and add jobs to their payroll,
- Significant because we are beginning to realize our Tourism and Recreation potential for income -- business that is here for which there is great demand, and which has only to be developed to add jobs in the area, and
- Significant because we have developed the organization plans and financial help to work intensively on economic development projects, and do so under the direction and leadership of interested citizens working together for the improvement of their towns, their counties and the region.

The path seems clear, the interest of people in the region and around the country is increasing significantly and our financial support improved this year to where we operated in the black for the first time.

1971 will be a year of greater accomplishment. Under the able leadership of Roger Loerch, Executive Vice-President of the Otoe County National Bank, Vision-17's President in 1971, I am certain we will see more and more specific development that will form the base for succeeding years of increasing economic vitality for Southeast Nebraska.

Sincerely,

Les Trussell

Lester Trussell, President
VISION-17, INC.

Highlights of 1970

Economic Development Organization in Each County

In 1969 we learned that in addition to regional development activity like helping establish the Southeast Nebraska Health Planning Council, it was necessary to develop local projects in each individual county, for much development is at the local level. Solid waste disposal, creating industrial sites, improving shopping areas — all these are local in nature.

The county is the natural economic base unit for rural development. Most individual towns are too small to do much alone, and they are not really isolated and independent from one another as they used to be. At the county level there are many issues facing County Boards where the Supervisors or Commissioners have difficulty finding out what the citizenship of the county would prefer be done. It was believed that a county-wide Economic Development organization representing all areas and interest groups could be used by the Supervisors and Commissioners as a sounding board for new ideas, as well as the organization to initiate funding and technical assistance requests to the County Board, the State or the Federal government.

It was decided to try to organize county-wide organizations that would be geographically representative of the towns and townships, and that would reflect the major organizations of the county.

Gage, Saline, Butler, Polk and Fillmore Counties have such organizations, in a variety of forms. Johnson, Pawnee, Jefferson and Seward Counties have moved toward such organization or are considering it.

The Butler County Economic Development Commission is surveying through the Extension Club to find out what the citizens want done to improve the county. They have attacked the solid waste disposal problem on a county-wide cooperation basis. The Saline County Economic Development Commission is exploring ways to develop a public transportation system. The Fillmore County Industrial Development Corporation is considering the employment of a full-time development person. The Gage County Economic Development Organization is working on a county animal shelter and is now undertaking the development of recreation and tourism in the county.

These efforts are vital to regional development, for if the base units — the counties — are not strongly organized themselves, then any projects that need inter-county cooperation will not be effective.

Involve the Federal Sector

As we worked during the year to develop county organizations, and to define and activate local projects, three ideas became apparent:

1. That someone locally was going to have to work full-time on county development if significant progress were to be made, and
2. We need the resources of the federal and state governments to help us, and

3. We need to have county-wide, citizen-based advisory groups to plan and monitor the work being done by the full-time workers in the County or Planning Block area.

With those things in mind we have met with Senator Curtis, and with William Galbraith, Deputy Under-Secretary for Congressional Relations, United States Department of Agriculture to discuss our ideas.

We were invited to come to Washington to present our story, and did so in July. In October, Mr. Earl Pettyjohn, Community Resource Development Staff Group, USDA, visited here to review informally our proposal that federal funds be used to supply full-time community developers for each of our Planning Block areas.

As a result of Mr. Pettyjohn's visit, we were invited to spend a week in Washington at an inter-departmental briefing where we learned of many possibilities for federal help in Southeast Nebraska.

We have now progressed to the point where the federal and state governments are meeting with us to pursue the matter of having such staff supplied to us. We seem certain of getting at least one person soon, and are working to get one person for each Planning Block area during 1971. That would mean that each county would have a man working 1/3 time for that county instead of having 1/17 of a man as we do now. It will also mean that the Vision-17 office will be able to do more to develop the region as a whole.

Recreation

This is a double-barrelled "Sleeping Giant" in Southeast Nebraska. Recreation improves the Quality of Living for residents, and also is a money-maker if a county can attract tourists and week-enders to come, enjoy themselves and leave money. Farmers and town people can both benefit. A regional seminar was held on May 26 where experts brought out many excellent ideas about what we can do to develop our recreation possibilities.

Meetings have been held in Nemaha, Johnson, and Otoe Counties and in Gage County. Jefferson is planning for a meeting, and there is interest in other counties as well.

There is **NOW** money in our tourism potential based on our history of the Old West and our Small Town Friendliness. There is a Quality of Living for all of us through the development of our small watershed recreational resources — the Blue Rivers, the Platte, the Missouri, the Nemahas and the Salt-Wahoo. Efforts to develop tourism and recreation will be pursued further in 1971.

Livestock

This is our Number One Business, and it is a rapidly changing business. Pollution, marketing, feeding practices and financing are undergoing such change as to significantly modify how people make money in livestock. Vision-17 held a regional meeting for feeders, bankers and agri-business people to consider how our livestock businessmen can make more money in beef, pork and poultry. Follow-up meetings were held in Nemaha, Johnson and Fillmore Counties, and Otoe County organized a Livestock Business tour. Meetings were suspended in the spring because of the crop season, but a special meeting was held with area bankers to discuss their reactions to specific investment and cash flow propositions in beef, pork and poultry.

The State Agriculture Department has been impressed with the programs and is interested in extending them throughout the state.

Demonstration projects, like the Otoe County National Bank's Bank Farm and Hill Hatchery's poultry operation at Pleasant Dale, were suggested by the bankers as a good way to help people get acquainted with new methods, their feasibility and their profitability. Vision-17 will be working on this in 1971.

Manufacturing

Most of our employment is in small firms and tends toward food processing, mining and local market businesses. These businesses represent a major opportunity to increase employment opportunities in Southeast Nebraska.

Vision-17 addressed itself to the problem of helping these manufacturers add permanent payroll in their firms. Through a process of talking to manufacturers, bankers and consultants on manufacturing to sort out the best ideas, two basic directions are indicated.

One is to help manufacturers get the tools they need for thorough financial control to make the current business as profitable as it can be. This will develop additional assets that can be used in expansion. The use of computer services is being explored to provide to any manufacturer the technical financial know-how in computer programs by installing a terminal and learning the few simple steps necessary to use it. Once businessmen have the data they need for tight control, then workshops can be organized on how to reduce inventory, waste, outstanding receivables, etc., and they can really pay off.

The second basic direction is marketing. To expand a business and add permanent payroll the manufacturer has to sell more of what he is making and/or add new lines. Most of our marketing is local or regional; very little is done on a national or international basis. Vision-17 is working with the U. S. Department of Commerce to determine how market expansion help can be provided our manufacturers. We will be talking with the Small Business Administration as well to see how we can work with them.

TABLE I

POPULATION TRENDS IN VISION-17 COUNTIES

COUNTY	1860	1870	1880	1890	1900	1910	1920	1930	1940	1950	1960	1970	1970 Census as % of Peak Year
BUTLER	37	1,290	9,194	15,454	15,703	15,403	14,606	14,410	13,106	11,432	10,312	9,343	60
CASS	3,369	8,151	16,683	24,080	21,330	19,786	18,029	17,684	16,992	16,361	17,821	17,901	74
FILLMORE	——	238	10,204	16,022	15,087	14,674	13,671	12,971	11,417	9,610	9,425	8,195	51
GAGE	421	3,359	13,164	36,344	30,051	30,325	29,721	30,242	29,588	28,052	26,818	25,697	71
JEFFERSON	——	2,440	8,096	14,850	15,196	16,852	16,140	16,409	15,532	13,623	11,620	10,294	61
JOHNSON	528	3,429	7,595	10,333	11,197	10,187	8,940	9,157	8,662	7,251	6,281	5,659	51
NEMAHA	3,139	7,593	10,451	12,930	14,952	13,095	12,547	12,356	12,781	10,973	9,099	8,787	59
OTOE	4,211	12,345	15,727	25,403	22,288	19,323	19,494	19,901	18,994	17,056	16,503	15,127	60
PAWNEE	882	4,171	6,920	10,340	11,770	10,582	9,578	9,434	8,514	6,744	5,356	4,274	36
POLK	19	136	6,846	10,817	10,542	10,521	10,714	10,092	8,748	8,044	7,210	6,035	56
RICHARDSON	2,835	9,780	15,031	17,574	19,614	17,448	18,968	19,826	19,178	16,886	13,903	12,072	61
SALINE	39	3,106	14,491	20,007	18,252	17,866	16,514	16,356	15,010	14,046	12,542	12,586	63
SAUNDERS	——	4,547	15,810	21,577	22,085	21,179	20,589	20,167	17,892	16,923	17,270	16,827	76
SEWARD	——	2,953	11,147	16,140	15,690	15,895	15,867	15,938	14,167	13,155	13,581	14,591	90
THAYER	——	——	6,113	12,738	14,325	14,775	13,976	13,648	12,262	10,563	9,118	8,038	50
YORK	——	604	11,170	17,279	18,205	18,721	17,146	17,239	14,874	14,346	13,724	13,449	72
16 COUNTY TOTAL	15,480	64,142	178,642	281,978	276,287	266,632	256,500	255,830	237,717	215,065	200,583	188,875	67
LANCASTER	153	7,074	28,090	76,395	64,835	73,793	85,902	100,324	100,585	119,742	155,272	165,422	100
17 COUNTY TOTAL	15,633	71,216	206,732	358,373	341,122	340,425	342,402	356,154	338,302	334,807	355,855	354,297	99
DOUGLAS	4,328	19,982	37,000	158,000	140,000	168,546	204,000	232,982	247,000	281,020	343,000	386,617	100

Source Census of Population, Bureau of the Census, U S Department of Commerce;
Nebraska Blue Book, 1890

TABLE II

VISION-17
COUNTY PER CAPITA PERSONAL INCOME

in dollars and as per cent of U. S.

COUNTY	1950		1959		1962		1965		1968	
	DOLLARS	PER CENT	DOLLARS	PER CENT	DOLLARS	PER CENT	DOLLARS	PER CENT	DOLLARS	PER CENT
BUTLER	1,171	79	1,398	65	1,605	68	2,348	85	2,583	76
CASS	1,283	86	1,824	85	1,899	80	2,442	89	2,752	80
FILLMORE	1,156	77	1,780	83	2,136	90	2,543	92	3,118	91
GAGE	1,269	85	1,580	73	1,776	75	2,245	81	2,762	81
JEFFERSON	1,298	87	1,650	77	1,933	82	2,561	93	3,249	95
JOHNSON	1,122	75	1,223	57	1,415	60	2,028	74	2,676	78
LANCASTER	1,524	102	2,346	109	2,601	110	3,023	110	3,745	109
NEMAHA	1,225	82	1,559	72	1,761	74	2,464	89	3,147	92
OTOE	1,246	83	1,499	69	1,736	73	2,516	92	2,677	78
PAWNEE	1,168	78	1,211	56	1,462	62	1,784	65	2,438	71
POLK	1,423	95	1,986	92	2,301	97	2,664	97	2,917	85
RICHARDSON	1,307	87	1,681	78	1,972	83	2,243	81	2,475	72
SALINE	1,236	83	1,496	69	1,761	74	1,877	68	2,610	76
SAUNDERS	1,224	82	1,404	65	1,507	64	2,209	80	2,549	75
SEWARD	1,291	86	1,365	63	1,526	64	2,019	73	2,304	67
THAYER	1,297	87	1,497	69	1,934	82	2,644	96	3,467	101
YORK	1,316	88	2,049	95	2,277	96	3,094	112	3,648	107
STATE OF NEBR.	1,491	100	1,976	92	2,247	95	2,640	96	3,208	94
UNITED STATES	1,496	100	2,161	100	2,368	100	2,765	100	3,421	100

Source: **Nebraska Statistical Handbook** 1970, p. 51, and U. S. Department of Commerce, Office of Business Economics

TABLE III

EMPLOYMENT IN VISION-17 COUNTIES

by kind, by county

1959-1969

COUNTY	1959			1969		
	TOTAL	AGRIC	MFG	TOTAL	AGRIC	MFG
BUTLER	3,270	1,590	150	2,851	1,119	101
CASS	4,690	1,480	380	4,309	1,041	299
FILLMORE	3,160	1,310	40	2,961	921	21
GAGE	9,100	2,250	1,190	9,627	1,581	1,164
JEFFERSON	4,310	1,260	200	4,133	887	337
JOHNSON	2,700	1,150	330	2,770	807	571
NEMAHA	3,360	1,070	360	4,221	753	414
OTOE	6,230	1,660	1,050	6,319	1,164	1,233
PAWNEE	2,080	1,170	10	1,656	821	8
POLK	2,530	1,250	20	2,321	877	36
RICHARDSON	5,730	1,930	470	4,963	1,354	436
SALINE	4,870	1,750	600	5,239	1,229	955
SAUNDERS	4,830	1,780	340	4,479	1,254	272
SEWARD	4,760	1,790	420	5,237	1,255	355
THAYER	3,780	1,540	140	3,275	1,079	97
YORK	5,060	1,510	200	5,473	1,064	630
16 COUNTY TOTAL	70,460	24,490	5,620			
LANCASTER	51,950	NA	8,350	78,900	1,700	10,800
17 COUNTY TOTAL	122,410	NA	13,970	374,484	24,656	57,329
DOUGLAS - OMAHA SMSA	182,950	7,100	32,850	225,750	5,750	39,600

Source: Nebraska Department of Labor 1969

TABLE IV

MANUFACTURING FIRMS IN VISION-17 COUNTIES

by number employed, by county

COUNTY	NUMBER OF EMPLOYEES 1-9	10-24	25-49	50-99	100-199	200-499	500-999	1000-2499	TOTAL FIRMS
BUTLER	4	1	—	1	—	—	—	—	6
CASS	2	5	—	1	—	1	—	—	9
FILLMORE	7	1	—	—	—	—	—	—	8
GAGE	6	5	4	3	1	3	—	—	22
JEFFERSON	9	4	—	3	—	—	—	—	16
JOHNSON	2	1	—	—	—	—	1	—	4
LANCASTER	69	24	33	17	14	6	3	2	168
NEMAHA	4	1	—	2	2	—	—	—	9
OTOE	7	6	3	1	1	3	—	—	21
PAWNEE	4	—	—	1	—	—	—	—	5
POLK	2	2	—	—	—	—	—	—	4
RICHARDSON	10	2	—	4	2	—	—	—	18
SALINE	7	3	—	1	2	2	—	—	15
SAUNDERS	4	5	4	1	—	—	—	—	14
SEWARD	5	3	2	—	—	1	—	—	11
THAYER	9	1	1	1	—	—	—	—	12
YORK	6	7	1	6	1	—	—	—	21
17 COUNTIES NUMBER	157	71	48	42	23	16	4	2	363
PER CENT	43%	20%	13%	11%	6%	4%	1%	0.5%	100%

Source: 1970-71 Directory of Nebraska Manufacturers and Their Products
Nebraska Department of Economic Development

TABLE V

MANUFACTURING FIRMS IN VISION-17 COUNTIES

by kind, by county

STANDARD INDUSTRIAL CLASSIFICATION	Butler	Cass	Fillmore	Gage	Jefferson	Johnson	Nemaha	Otoe	Pawnee	Polk	Richardson	Saline	Saunders	Seward	Thayer	York	Lincoln	Lancaster
Ordnance													1				1	
Food & Related	4	1	3	3	4	3	1	7			7	6	6	4	5	6	46	1
Textiles											1							
Apparel & Related				1	1		1	3				1			1	2	5	
Lumber & Wood Products				3	5		1	1	1	1	1		2	1			5	
Furniture & Fixtures				3			1			1		2					10	
Paper & Related																	11	1
Printing & Publishing	2	4	4	9	4	4	2	5	4	6	4	8	4	6	8	5	69	
Chemicals & Related		2	1	2	1			1	1					1		1	10	
Petroleum																		
Rubber & Plastics		1		1				1			1					1	18	
Leather & Leather Products																	2	
Stone, Concrete & Related	1	7	4	3	5	1	1	6	2	3	3	3	5	5	2	4	12	2
Primary Metals							1	2					1		2		6	
Fabricated Metals			1	3			2	4	2	1		6	1		3	2	37	2
Non-electric Machinery		1	2	4	1		2	2	1		2	1	1	2	2	8	31	2
Electrical Machinery			1	1							1						13	
Transportation Equipment			1	4							2				[illegible]	2	11	
Instruments & Optics								1									11	
Misc. Manufacturing	1										4				1		13	

Source: 1970-71 **Directory of Nebraska Manufacturers and Their Products**, Nebraska Department of Economic Development

FINANCIAL STATEMENT

VISION-17, INC.

November 30, 1970

INCOME:			$ 41,549.49
Membership Dues		$ 41,048.46	
Interest on CD #2225 (Aug. 17, '70)		125.78	
Other Income		375.25	
DISBURSEMENTS:			$ 38,379.29
The Carroll Thompson Co. 12 mo. @ $2,666.00		31,992.00	
Northern Systems (Bal. of acct.—prior year)		4,666.66	
Other Expenses		1,720.63	
BALANCE:			$ 3,170.20*
ASSETS:		$ 5,924.13	
Cash in Bank	$ 670.20		
CD #2214 (matures Jan. 27, '71)	5,000.00		
Interest on CD at maturity	253.93		
LIABILITIES:		$ 2,532.81	
Note to Otoe County Nat. Bk. (due Jan. 27, '71)	$2,500.00		
Interest on note (Jan. 27, '71)	32.81		
BALANCE:			$ 3,391.32*

* There is a difference of $221.12 between these balances due to the interest on the certificate of deposit and the interest on the note to the bank, which will not be gained until Jan. 27, '71.

1971 BUDGET

December 1, 1970 - November 30, 1971

INCOME ESTIMATE		
Membership Dues	$ 39,388.00	
Interest on C.D.'s	500.00	
	$ 39,888.00	$ 39,888.00
EXPENSE ESTIMATE		
Management Contract*	$ 39,888.00	$ 39,888.00

* Note: This budget provides for the addition of a Regional Coordinator to work with the Area Development Directors described in the 1971 Workplan.

VISION-17, INC. is operated under contract with The Carroll Thompson Company, Inc. of Lincoln who supply staff and backup service. Offices are at 220 Sharp Building; the telephone is Area Code 402, 477-2234. Alan Hansen is the Executive Director; Mrs. Patricia Peterman is the Secretary.

1971 STAFFING AND ORGANIZATION PLANS

A concentrated effort must be made to develop more and better jobs in Southeast Nebraska by organizing and carrying out the job development opportunities that exist in each of our communities, particularly in the primary or basic sector, manufacturing, agriculture, mining and construction. Specific needs must be established and commitments obtained from employers to hire qualified people. These job opportunities then need to be translated in training needs with respect to the present qualifications of the area residents. Vocational training programs need to be established that will permit those interested to obtain the skills necessary to secure better employment than they currently have. It is also important that we attend to the related socio-economic factors that have an impact on employment opportunity, and that we attend to the quality of living to make this a more desirable area for potential employees to want to locate here. Finally, it is important that this be an action program, not a study or planning program.

It is evident that these goals require too much constant detailed effort to be achieved by voluntary groups or by professionals whose principal duties are other than these. It is not feasible to try to accomplish these important objectives with the one-man Vision-17 staff structure. We therefore propose that the federal government, through the Departments of Agriculture, Labor, Health, Education and Welfare, and the Office of Economic Opportunity, provide such support as is necessary over a five-year period to permit the assignment of a full-time staff person to each of the Planning and Development Regions within the Vision-17 territory. The Vision-17 Board of Directors has approved the addition of a Regional Coordinator who would assist the Executive Director in training the assigned staff, coordinating their activities as either problems or solutions extending beyond the planning block boundary, and relating the entire effort to concerned institutions at the state and federal level. These Area Development Specialists, each assigned to one Planning Block Area, will work under the close guidance of a Block Area Advisory Committee.

Advisory Committees

The Block Area Advisory Committee in each Block will be organized from various committees that exist in the counties now. These vary from Planning Commisions to informal groups like the Economic Development organizations developed by Vision-17 in several counties. The Block Area Advisory Committees will meet monthly, during the first half of the month, with their Area Development Director to review the Workplan and agree on the following month's activity.

The Regional Advisory Committee will consist of an officer of each Block Area Advisory Committee, an officer of Vision-17 and the State Rural Development Director. They will meet with the Regional Coordinator during the last half of the month to review his Workplan and agree on the following month's activity.

Staff Positions

The Area Development Director is an **action position.** Much of the time will be spent meeting with groups to plan and carry out programs. The Area Development Directors will develop a Workplan from auditing pertinent data and from securing lay and professional advice. They will then carry out their plans under the guidance of their Advisory Committee, keeping records suitable for analysis and evaluation. They will prepare proposals for specific project development and will expedite the funding and activation of such projects. An example of this could be that the Area Development Director would determine that manufacturers in the area needed training in marketing to expand their volume and add jobs. He would seek assistance through private, or state or federal public sources to provide that training.

If such a need were apparent over several Block Areas, a regional program would be developed in the same way by the Regional Coordinator and the Executive Director.

The Regional Coordinator will conduct a monthly meeting for the Area Development Directors to supply training and to make plans for assisting them. He will also work one day each month with each Area Development Director in his Block Area. The Regional Coordinator will help the Area Development Director contact state and federal resources for program assistance. He will also be accountable for program activities that are of scope beyond the Block Area. The Regional Coordinator's office will be the source of data and statistical information to the Area Development Director so that they do not have to spend time collecting and analyzing data, but are free to pursue their Workplan activities.

1971 WORKPLAN

GOAL

To make this 17 County Urban-Rural Community a better place to

- Work
- Invest Money
- Live
- Raise Children
- Retire

METHOD OF OPERATION

1. Stimulator of area development and promotional projects.
2. Intensify economic development activity in each Planning and Development Region in the area by arranging federal financing to hire Area Development Directors in each Planning and Development Region in the area.
3. Training and coordination of the Area Development Directors.
4. Institutional liaison at the state and federal levels.

EMPHASIS

The Board of Directors has designated these target activities for 1971:

1. Assist existing industry to add permanent employees; attract new industry.
2. Stimulate Recreation - Tourism development in multi-county areas.
3. Stimulate interest in new methods for Livestock Profits. Arrange private demonstration efforts.
4. Assist counties in natural resource development efforts like solid waste disposal, pollution and water conservation and control.
5. Assist counties in developing people resources, especially Vocational Education, Housing and Public Transportation.
6. Continue to help counties organize Economic Development Commissions to provide guidance and leadership for local government.
7. Maintain federal and state contacts to help implement priority projects in the area.
8. Maintain the corporation as a healthy force in this area.

1971
QUARTERLY WORK SCHEDULE

December - January - February

- Fund raising for Vision-17.
- Arrange federal funding to employ an Area Development Director in each of the Six Planning and Development Regions.
- Assist in their employment, initial training, and work planning.
- Employ Regional Coordinator for Vision-17 staff.
- Plan industrial promotion for region.
- Begin Computer demonstrations.
- Public transportation meeting.
- Continue Livestock Profits meetings; plan demonstrations.
- Continue Recreation - Tourism meetings; plan demonstrations.
- Plan Housing and Vocational Education programs.
- Communications through bi-monthly Board meetings, news releases and monthly activity summary reports.
- Continue institutional relations program.

March - April - May

- Continued training of Regional Coordinator and Area Development Directors.
- Program coordination for Area Development Directors.
- Carry out industrial promotion for region.
- Continue demonstration projects and meetings on Computers, Livestock Profits, Transportation, and Recreation - Tourism.
- Begin Housing and Vocational Education meetings.
- Continue Communications program.
- Continue institutional relations program.

June - July - August

- Six-month progress review; establish tentative 1972 program.
- Maintain training and coordination program for Area Development Directors.
- Continue industrial promotion for region.
- Continue demonstration projects on Computer, Livestock Profits, Public Transportation, and Recreation - Tourism.
- Begin demonstration projects in Housing and Vocational Education.
- Continue Communications program.
- Continue Institutional relations program.

September - October - November

- Continue staff development.
- Continue industrial promotion for region.
- Continue demonstration projects.
- Continue communications program.
- Continue Institutional relations program.
- Plan Annual Dinner.
- Plan 1972 Work Program.
- Plan 1972 Fund Drive.

Exhibit III

Concerted Services in Training & Education

through VISION-17

To: C. B. Gilliland, Executive Secretary
C.S.T.E. Task Force
U.S.D.A. - Extension Service

From: Jim Childe, Coordinator
Butler, Seward and Saline Counties - Nebraska

Re: Monthly Report for July, 1971

Training and Education

Met with George Strait, Don Christenson and Martin Kenny of the State Department of Labor, Division of Employment. Discussed at some length and in some depth the role of CSTE and how it relates to other on-going efforts. Due to the proximity of the area to Lincoln and the facilities available through the Skill Center and the Technical College there, much of the training needed in the larger, more complex fields should probably be referred to Lincoln. This office can serve well as a disseminator of information and a publicizer of available programs as well as coordinating the more localized training needs.

Also had a meeting with Dr. Leonard Hill, Director of the Adult Basic Education Division of the State Department of Education, wherein we discussed ABE and CSTE.

Also attended monthly CAMPS meeting in Peru.

Industrial Development

We continue in our quest for a hog processing plant to locate in the area. The one who has indicated the most interest is 60% loaned up and therefore does not qualify for IDA bond financing. However, he has been referred to a combination bond and stock brokerage in Minneapolis, with the hopes that they can put together a package for him. Two other nationally known concerns have indicated a preference for locating within the area and we have contacted them. Another had a representative come to the office, but left the impression that they wished to acquire an existing plant for experience, and then expand.

Coordinator was also called upon to assist in contacting another nationally known corporation about expanding their operations to this area and to help put together a funding package that would enable a food services manufacturer to move to here from Kansas City. We have already offered CSTE services to train the new personnel required to staff the new plant, and have been accepted.

Health

The Seward County Mental Health Association has asked for information on federal funding available for assistance in establishing a mental health facility.

The Seward Child Care Association has been informed of programs available to them in their efforts to establish a child-care center.

Recreation

Hosted Del Whiteley of the Game and Parks Commission to tell Bellwood of possible recreation programs, including swimming pools and parks.

Water Problems

Have been requested by the Crete Chamber of Commerce to host a meeting of all interested parties all up and down the Blue River for purposes of discussing possible flood-deterrent steps. Have invited Winn Shields of the Bureau of Reclamation (they have already been turned down by the Corps of Engineers) to speak and have contacted Merle Hinze, Dean Coings, Lowell Rochester, Glenn Zajicek, Jim Novotny, Frank MacKnight and Virgil Rossiter to gather names of those who should be there. Others to be invited include Senator Curtis, Congressman Thone, Governor Exon, County Commissioners, County Agents, Mayors, etc.

Housing

Fielded a request from a local utilities company that wanted to know what they had to do to become the utility supplier for an FHA approved subdivision. They had been to FHA in Omaha and had complied with what they thought were the requirements, but had still been turned down. Turns out they had misinterpreted the requirements, but they had not been able to ascertain this until they contacted this office.

Other

Spoke before the Seward Chamber of Commerce. Was asked by the Chamber President to gather information on the guidelines, criteria, budget, etc., with the possibility in mind of hiring a full-time Chamber Secretary.

Testified against the abandonment of the Seward-Superior Rail Line by the Chicago Northwestern as requested by Bob Steinheider, Goehner Elevator.

Exhibit IV

VISION-17, Inc.

MINUTES OF HOUSING MEETING
LINCOLN, NEBRASKA
7/12/71

Those in attendance were: Charles P. Wathen, Otis Company; Richard H. Koch, Housing & Urban Development; Don Etmund, Conservative Investment Company; Bob Peterson, Peterson Construction Co.; George Drake, Southeast Nebraska Community Action Councli; Jo Ann Sharpe, SENCA; Edward Tomek, Table Rock Development Co.; Floyd P. Vrtiska, Table Rock Development Corp.; H. O. Petersen, Milford Housing Consultant; Ken King, Union Loan & Savings; Harold R. Deitemeyer, First National Bank, Beatrice; Frank MacKnight, Blue Valley Community Action; Bob Catherall, Blue Valley Community Action; Larry N. Springer, Blue Valley Community Action; Elmer G. Elmshaeuser, Farmers Home Administration; L. W. "Bill" Waldo, Farmers Home Administration; Don Larson, National Bank of Commerce; Don Sievers, Nebraska Department of Economic Development; Jack Wolken, Mayor, Tecumseh; Merle D. Hinze, Vision-17; Dean Henricksen, Vision-17; Dr. A. O. Gigstad, Mayor, Nebraska City; Carroll Thompson, Thompson Company; and J. Alan Hansen, Executive Director, Vision-17. The meeting was opened by Alan Hansen, who asked everyone to introduce themselves and indicate his interest in housing so that group discussion would be facilitated.

He then stated as the purpose of the meeting to consider our status on rural housing in Southeast Nebraska and to then define what should happen as a result of this meeting. He then introduced Don Sievers, D.E.D.

Don Sievers indicated that the Department of Economic Development is charged to work on housing and that under the former Governor Tiemann they had, with the State Office of Planning, completed "Housing 1" and had now completed the study termed "Housing 2". The general point to which "Housing 2" addressed itself, he said, was the question, "Where are the effective markets for new housing in rural Nebraska?" He emphasized the department's interest particularly in the rural areas.

Mr. Sievers then introduced the table, attached, "Potential Housing Market in Vision-17. He indicated within the various income limitations had not been purified by determining whether or not they were actively in the housing market. That is some would be old people who would not be interested and others who had satisfactory housing at this point, or other reasons. He raised the question of what the real market is within the percent of total households within FHA income limitations but who are earning more than $5,000 income, and went on to ask what kind of a network could we employ to survey and aggregate a market of demonstrated demand.

There was some discussion of the chart, with a number of people expressing amazement at the large number of low income people shown. Mr. Sievers suggested that we consider Operation Breakthrough Housing where special subsidies were available that could reach people who just couldn't afford the kind of financing that is currently available.

Merle Hinze made the point that local banks don't feel that they can handle subsidy programs because they are hard to process by a local banker.

Kenneth King suggested that we should start by trying to determine the price house that people in a town could afford, and not depend on the subsidies that might not be around. The point was discussed and the general feeling was that we should certainly take advantage of special subsidies that were available. Larry Springer brought out the point that Saline County has a $4,300 average family income which means that they have real problems in trying to qualify for housing programs. Pete Peterson asked the question of how many dollars were available through Operation Breakthrough. The response indicated that it was a national program and that the money was not specifically allocated to any state or region. Mr. Petersen said that the urban areas were jumping in to take advantage of Breakthrough and that if we wanted to do something, we had better go ahead. Chuck Wathen mentioned that Operation Breakthrough has offered Omaha 200 units, but the building code that exists in Omaha prevented the erection of Breakthrough housing there, and made the further point that in a rural area we would stand a better chance of putting together an aggregate market that could avail itself of Breakthrough funds, even though Breakthrough seemed to be designed more for the urban areas. Mr. Wathen then mentioned several Breakthrough contractors who were operating: HBC in Sedalia, Missouri. Sterling-Homex is shipping up the Missouri. HBC is selling for $9.00 a square foot. He mentioned that Levitt and Schulz are really producing houses. He further said that if we could show a market we could get a Breakthrough plant in Southeast Nebraska or have units shipped in, but we need a demonstrated demand. The Economics on Breakthrough construction seems to start at about 1,000 units.

Mr. Wathen mentioned that there were 360 builders of modular units in the country, four in Nebraska, seven in Kansas, and six in Iowa.

Mr. King raised the question of how much would a house rent for in Table Rock, Nebraska. Floyd Vrtiska said he thought $50-$75 a month. This was discussed at some length with the conclusion that most rural people simply can't buy available housing without subsidy even though they would apply 25% of their income for shelter. In order to get the subsidized housing it would be necessary to indicate to HUD for instance that there were five or more units under a contractors plan in a community area. Mr. Vrtiska made the point that this clearly discriminated against the small communities, when it is difficult to aggregate five.

Mr. Etmund made the point that we need a market survey to indicate a demonstrated demand.

Elmer Elmshaeuser mentioned that the average taxes of about $600 on a typical new house was really crushing and prevented people from becoming home owners. Jack Wolken said that most of the people in his area own their own homes, even though they might not be desirable. Jack further suggested that maybe that these people would buy houses if they could sell their older houses.

Bob Peterson raised the question of utilizing mobile homes. The general response to that was that the interest rate was high and that the shipping charges were high and that the mobile homes created a burden to the community because they did not add to the tax base but did avail themselves of the community services. Dr. Gigstad pointed out that good mobile home courts are attractive and do draw a good class of people into the community. Floyd Vrtiska said that there was a heavy demand to rent trailers, even used trailers at $60 a month.

Larry Springer suggested that we set up 17 county public housing authority. This was discussed at some length with the general feeling being that we could do this and that indeed that this might be the solution to organizing the necessary housing activity in Southeast Nebraska. Towns that currently have housing authorities will be able to sign off so that they would not necessarily have to participate. He said that we need a vehicle, something that is concrete with power to own or rent houses. He suggested that we use the University NOVA project to help in our surveying activities. Floyd Vrtiska said that Table Rock couldn't do it alone, it couldn't be done locally with small numbers of units. We have to band together regionally in order to accomplish the solutions to our housing problems.

Kenneth King suggested that public housing is not necessarily the answer. Bob Peterson replied that what we probably need is some sort of a multi-pronged approach with public and private housing being part of the action.

Don Larson said we need to survey. We need to go ask the people who are potential renters or buyers what they want. He suggested maybe the young people are not as interested in owning a home as we might think, and further suggested that we raise such questions as, "Do they want to stay in the community," and "Do they want to own a home?" He made the general point that we have to talk to the people who are going to use whatever product we develop. After some discussion Mr. Larson suggested that maybe 20 people go into a small town on a particular day and run a survey of the housing demand in that community.

Mr. Catherall stated that the average young people have not been thinking of buying a house because they have been priced out of the market for the last 10 to 15 years, that in order to get home owners, we are going to have to market housing.

Mr. Springer suggested that the public housing is probably the major area of solution and pointed out that it wouldn't really hurt the tax base of the community to have public housing because those people are generally not paying taxes anyway and that housing authorities make payments in lieu of taxes to the communities in which they're operating.

Bob Puterson then raised the question about the price of empty lots in the small towns and it was generally agreed that $1-2,000 for a vacant lot was about right. This would be improved with utilities, but maybe not curbs and streets.

Pete Petersen raised the point that middle America is being forgotten in these housing programs which are aimed generally at the low income people. Chuck Wathen then discussed the Domino effect: that if a person with a $20,000 house moved into a $25,000 house then somebody in a $15,000 house could move into the $20,000 house, etc. But if the $25,000 houses were not available then everybody stayed where they were.

Larry Springer asked Bill Waldo what the Farmers Home Administration would do if Vision-17 would set itself up as the public housing authority. Bill Waldo responded that they would be pleased to work with such an organization, the money was available and that if we could get big projects under a single management we could get the overhead costs down. Kenneth King then asked Bill Waldo what the maximum loan and payments would be on a $12,000 house in a town like Table Rock. This was discussed at some length, resulting in the very general estimate that somewhere around $130 a month would be required for principal, interest, taxes, and insurance on such a structure.

The discussion then got back to the need for determining what the aggregate demand was. The idea developed that we would pursue Don Larson's suggestion of picking a community and a group going in on a particular day with a survey form and surveying that community to serve as an example of what the situation might be in other similar communities in the area.

Don Sievers is going to develop a survey form and Vision-17 will sponsor the survey.

POTENTIAL HOUSING MARKET IN VISION-17

County	Number of Households (1)	FHA 235-236 Household Income Limitation (Family of 4) (2)	Percent of TOTAL Households within FHA Income Limitation (3)	Percent of Total Households within FHA Income Limitation but more than $5,000 income	Rough Estimate of possible housing market
Butler	3,115	$6,210	76.2%	23.7%	738
Cass	5,683	$7,020	62.5%	25.1%	1,426
Fillmore	2,804	$6,480	63.2%	26.7%	749
Gage	8,191	$6,480	69.5%	27.1%	2,220
Jefferson	3,783	$6,345	71.1%	26.8%	1,014
Johnson	1,984	$6,210	80.1%	24.7%	490
Lancaster	53,912	$7,290	51.4%	24.2%	13,047
Nemaha	3,028	$6,210	76.3%	25.2%	763
Otoe	5,420	$6,210	67.0%	25.4%	1,377
Pawnee	1,602	$6,075	83.1%	20.9%	334
Polk	2,211	$6,210	74.7%	29.4%	650
Richardson	4,419	$6,480	71.3%	24.2%	1,069
Saunders	5,453	$6,210	70.6%	25.9%	1,412
Saline	4,435	$6,480	72.4%	25.9%	1,149
Seward	4,308	$6,480	71.3%	23.2%	999
Thayer	2,738	$6,210	79.8%	26.4%	723
York	4,542	$6,480	69.5%	27.5%	1,194
				Total	29,354

(1) General Housing Characteristics: 1970 Census

(2) HUD Circular Letter: June 15, 1971

(3) 1970 Survey of Buying Power: Sales Management

Exhibit V

Preliminary Analysis

TECUMSEH HOUSING SURVEY

Salaries used are based on adjusted gross income.

	PUBLIC HOUSING Under $5,000 Income (N=23)	INTEREST ASSISTED HOUSING $5,000 to $6,210 (N=29)	NON-ASSISTED HOUSING Over $6,210 Income (N=50)
1. Desired Accomodations			
Own	10	20	39
Rent	13	9	11
Single	19	28	50
Multiple	4	1	
2. Age Categories			
18 to 35	6	13	21
36 to 62	6	16	25
Over 62	11		4

A total of 500 housing units received the questionnaire form. One hundred thirty-six of the respondents replied that they would indeed be interested in new housing. Of the 136 affirmative answers, only 109 of the questionnaires were in complete form. The above Exhibit is based on the answers of these 109 respondents.

Senator CURTIS. I would like to inform those in our audience and others that the official record for these hearings will remain open until September 24; therefore, should anyone else, individuals or groups, wish to submit a statement for inclusion in the record they may do so. Also, if anyone has testified and would like to elaborate on some point, they, too, may submit further information for the record. This should be mailed to the Rural Development Subcommittee, U.S. Senate Committee on Agriculture and Forestry, Old Senate Office Building, Washington, D.C.

Senator Bellmon?

Senator BELLMON. No questions.

Senator CURTIS. We have several statements for the record namely, one from the Nebraska State Grange, by Mr. Edward Andersen, and one by Mr. Hilary J. Lassek, director, Goldenrod Hills Community Action Council.

(The statements are as follows:)

STATEMENT OF A. EDWARD ANDERSEN, MASTER, NEBRASKA STATE GRANGE, WATERLOO, NEBR.

We believe rural America has been the backbone of our great Country in the past and will continue to be in the future. Many of our National problems today can very easily be related to the movement of part of the rural population to the large population areas in the last 20 years. Total number of farms, in the U.S. has decreased 20% in the last decade, yet net farm income does not increase or keep up with non-farm income. Average farm income (which includes about 50% from off farm) in 1970 was only 78% of non-farm income. Here lies the greatest need and the No. 1 place to improve Rural Development. A prosperous agriculture made up of family sized farms is the greatest asset to any rural community. An agriculture which derives its production from family sized farms is also the most economical for the consumer in the long run. Family operated farming units will mean the support of schools, churches, community projects, local merchants, local services, and local government.

We recommend support of the following items to bring about Rural Development through a prosperous growing agriculture.

I. 7 PERCENT INVESTMENT CREDIT

Reinstate the 7% Investment Credit on a limited amount of new investments each year. This encourages both small business and agriculture producers to invest in modern equipment, expand operations and improve their standard of living. Put a limit on the investment amount, thus, not giving large corporations or Industries this benefit.

II. MARKETING AND BARGAINING

Pass legislation that clearly gives Agriculture producers the right to organize and bargain with handlers and processors as to terms for selling their production.

III. AGRICULTURE RESEARCH

The Federal Government should continue and in some areas increase the amount of funding toward Agricultural research. Two very important areas needing more dollars are, non-chemcal pest control and animal waste pollution.

IV. FHA FUNDING

Because of inflation, high interest rates, the mechanization of agriculture and the increase in the size of the average farm, it is necessary that the FHA funds be increased each year for the use of agriculture. This program has been very effective in the past and will continue to be needed in the future. All programs for financing farm ownership, farm operating, rural home repairs, rural housing and disaster loans need more dollars. These funds should be earmarked for these

specific purposes. Increasing the amount allotted FHA for assistance in low-income housing, small town and sewer utilities, and recreational facilities will help encourage industry and people alike to live in our rural communities.

V. FEDERAL AGRICULTURE PROGRAM

A price support program tied to parity and supported by at least 90% of parity is very necessary to a thriving Agriculture. American farmers should not be expected to produce and sell at World price on U.S. production cost.

VI. NEW INDUSTRY

New Industry in rural communities will also help in the development of Rural America. But, a rural community that depends on one industry does not have a balanced economy unless it also has a profitable Agriculture surrounding it. Depending on one industry as the source of employment means the area suffers with the ups and downs of the industry. Rural Nebraska needs industry related to the developing, processing, and packaging of the grain and livestock grown on the farms in Nebraska. Our Federal government can encourage small industry movement to rural communities by special grants, and tax incentives, such as the 7% Investment Credit on a limited amount of investment each year.

STATEMENT OF HILARY J. LASSEK, DIRECTOR, GOLDROD HILLS COMMUNITY ACTION COUNCIL, WALTHILL, NEBR.

WHAT ARE THE MAJOR CAUSES OR CONDITIONS OF POVERTY IN THE COMMUNITY SERVED BY THE CAA?

The farmer in many instances is receiving less income for his products than what he received in 1945. Although the U.S. Dept. of Agr. has attempted to lessen the impact of this decreasing income through various programs (Soil Bank, Cropland Diversion, Conservation Reserve, etc.) the result of many of these programs has been the usage of farm land by the affluent as a tax shelter. The small farmer has not increased his earning power, but has been forced to allocate more of his earnings for the purchase and maintenance of his equipment. In an era of five percent increases per year in inflation, and without a similar increase in farm prices, today's farmer is engaged in an impossible venture, the family farm often times is too deeply mortgaged to be able to "get out from under" his predicament.

While receiving the same price per unit for his products, as he did 15 to 20 years ago, the farmer is forced to expend more for items he purchases, thus he is experiencing the effects of a "cost price squeeze". The U.S. Index Numbers which compares expenditures for production and prices received for commodities indicates the farmer presently must cope with a −75% ratio, or must expend $1.75 per unit while still receiving the same $1.00 per unit he or she received in 1920. In translating these statistics into daily financial transactions, the plight of the farmer becomes painfully apparent. The below chart is used to indicate the farmers expenditures for production as compared to prices received for commodities sold. The years 1910–1914 have been used as the basic years for determining parity by the Dept. of Agr.

The low income farmer, lacking a voice through any national organization, is unable to obtain a cost of production for his product. The inherent pride and independence of the low income farmer keeps him from trying to form an organization to price his product and thus in many cases lacks the ability to organize his own farming operation. The low income farmer is situated in a unique position. He is engaged in a highly complex industry, but has not developed a method to determine the returns he receives from his various endeavors. He is normally engaged in numerous activities (grain, livestock, etc.) with each such category involving several different facets. At the end of the year he is able to determine his net earning, but is unable to realize which aspect of his work has been the most profitable. The agriculturist may have earned a negative amount in one aspect of his year's efforts, but without proper bookkeeping and cost analysis processes he may continue this practice in forthcoming years. The practice of not knowing which of his endeavors are profitable results in the continuing cycle of low income and poverty.

The lack of meaningful job opportunities encourages out-migration of our young and perpetuates a marginal level of existence for those who remain. This lack of availability of other forms of employment coupled with rural isolation has substantial impact on the physical and psychological well-being of the residents of this area. There is a possibility that the lack of industrial diversification in this area could be alleviated by the formulation of well financed Local Development Corporations, however there is simply not the the reservoir of funds locally available with which these corporations could become viable.

Due to the lack of job opportunities in this area, the marginal income earned by the majority of our citizens, and the large number of individuals seeking jobs to supplement their family income; the job market is necessarily small, and obviously, the wage structure is exceedingly low. It is common practice in this area to offer adult non-professional workers very low wages, it is said that the individuals are forced to accept these job offers.

The high percentage of elderly has a significant effect upon the low standard of living in this area. The large numbers of elderly impedes industrialization of this area and contributes to the low level of business activity as the majority of senior citizens are receiving fixed retirement incomes. Nebraska ranks third in the United States in per capita elderly and it is projected that the number of elderly in Nebraska will exceed Iowa and Florida in the next decade, placing Nebraska first in the Nation in the category.

The citizens of the communities have supplied this area with few leaders. Those individuals who are in places of power are not sympathetic to the needs of the poor and shall have to be proselytized or replaced before constructive activity can be expected from their offices. Those community leaders who are empathetic towards the needs of the poor often times have not the time nor talent to effect needed changes.

There is an unreasonably large number of dilapidated and deteriorating houses in the area. The return to sub-standard homes which the low income experience each day denies them any immediate result which our program offers them. Thus to relieve the psychology of poverty which the low income possess, it is imperative that action take place to alleviate sub-standard housing.

The low income groups with which we meet give indications of a myriad of conditions which contribute to poverty in this area. Inherent from the above indicated conditions of poverty, there appears to be a strong reoccurring sense of apathy and a negative attitude. The conditions of poverty submitted by the low income however are not limited to the above. Indeed, the less definable, and more abstruse conditions cited by the poor gain a greater significance when consideration is given to them in their local effect.

Thus in our analysis of the problems which daily confront the low income we discovered that indeed there is no paucity of the conditions of poverty in this area. These conditions have endured in spite of the efforts of the existing public and private agencies whose purpose has been the alleviation of poverty. Criticism of these agencies, proof of their inability or unwillingness to act, or the questioning of their motives shall not result in their increased compassion or efficiency, nor shall it assist in the coalescing of these agencies' efforts in the lessening of the pains of poverty. The conditions which exist demand that immediate efforts be made by all interested individuals and agencies toward the common goal of ending poverty.

The existing practice of social service agencies to provide the low income ephemeral benefits and stop-gap remedies results only in the prevention of starvation and the encouragement of dependence.

The existing practice of attempting to cure conditions, or "Symptoms" of poverty and ignore the causes of poverty has been a futile, unproductive and costly venture. The treatment of these symptoms has only exacerbated the repercussions of the actual cause. Indeed it has been a painful experience to arrive at the actual cause of poverty, but this realization is necessary.

In the past we have cited the symptoms and labeled these conditions as "causes" of poverty. We have utilized the tools immediately available to us to again provide ephemeral benefits and stop-gap remedies. We have not yet treated the cause of poverty in this area. The more secure method would be to continue the practice of the past, but this is not the path we have chosen.

The primary cause of poverty in rural America, is a lack of self-confidence by the residents of the area. If this confidence is restored this rural area will once again achieve its former viability. If this self-confidence is not restored, this rural area will continue its present path, that of continuing deterioration. The symptoms become actual causes for other symptoms and as the pyramidal effect grows, these conditions and causes compound in their severity. There exists a quasi-dialectic form of logic in which two forces form a third or new force which is then combined with another new force. The pyramid thus grows without truncation.

The culmination of the conditions of poverty is the lack of confidence in rural America. The aggregate of clustered symptoms must be individually examined to determine the depth of the problem, and the exigency of resolving this problem. Below are listed the conditions of poverty which, with their high degree of interaction, inevitably force the gradual and continual debilitation of the confidence of the citizens of this area.

The successful agricultural sector of this nation's economy is limited to corporate-sized farming or ranching, or to those utilizing farm and ranch land as a tax shelter. The marginal or unsuccessful sector of this aspect of the economy is composed of the traditional, or family farm. It is those in the latter category who reside in the area; the family farmer who, living in a period of inflation, realizes smaller profits and is confronted with higher cost of production. The plight of the small farmer need not be reiterated for the purpose of this report. Available statistics are cited daily which depict his economic condition. Many small farmers however reside near Standard Metropolitan Statistical Areas (SMSA) and thereby are able minimally to supplement, often times to emulate the earning derived from their farm or ranch operation. In this isolated rural area, the time and cost of commuting to SMSA's prohibits this activity, thus the small farmer not only must endure the often fluctuating and basically marginal profis of farming, but additionally has no opportunity to supplement his earnings. Thus the low income and high cost of production coupled with the inaccessibility of supplemental employment restricts the small farmer's options to the continuation of a marginal existence for himself and his family, or the relocation in a SMSA, thereby placing additional burdens upon the urban area.

The factors, low income, high production costs, lack of supplemental employment and forced out-migration have had a direct and negative influence upon the economic well being of the communities in this area; these same factors have forced a lessening of the confidence in this area's future by its population.

The governmental agencies and their officers have contributed to the lack of confidence in this area. The apathy and myopia of this entire area is reflected by our public officials. The major shortcomings of a majority of these officials are a continuing faith in provincialism, basically stagnated and non-progressive philosophies, a high degree of non-professionalism, and the inability to obtain competent full time staff due to the low rate of compensation.

Although the necessity of consolidating governmental and school functions is apparent, there exists an adamant opposition to any such plans of merger. In most cases local governmental agencies continue to provide inadequate services and administer inefficient programs. Indeed, the small and inefficient governmental entities are financially unable to employ competent individuals, thus a large number of the governmental officials are part-time employees. Those willing to accept financial sacrifice are employed on a full time basis, but must resort to other employment (e.g. farming) and simply have not the time nor the skill to effectively administer their offices. The answer would be the consolidation of county and school offices, resultant in a higher rate of compensation, more specialized employees and thus, more effective government. The present officials simply have not the time nor skills to be aware of, or effect utilization of the existing public and private programs available. The result is an inefficient utilization of tax dollars, thus a high rate and minimal services for the funds expended. A typical example of this situation may be found in the governmental leaders of our communities. These communities normally elect as their mayor an individual with a high degree of civic interest and a sincere desire to improve the status of the community which they serve. These individuals at best receive a token payment for their services, thereby forcing them to devote a minimum of time to their efforts on behalf of the community. It is apparent that these individuals are simply ill-equipped to compete with the major cities of this nation for the myriad of Federal, State and private assistance programs which are available, indeed, the many programs designed expressly for rural America. Many times these programs appear to be unwanted or unneeded simply because they are unknown to those for whom they are intended.

The above statements are not intended as an indictment of the local governmental officials, it is intended as an indictment of the system under which these officials are forced to work.

As above indicated the local economy is forced to rise and fall with the success of an unstable industry, that of agriculture. Arbitrary Acts of God can provide "feast or famine" to those engaged in agriculture, and thus, to the communities relying upon the trade of the farmers. The lack of diversification forces the communities to depend upon a precarious and capricious industry, and industry which at best provides marginal modes of living. In years of low production the communities waste away. The answer is simple, establish a diversification of industries. To effect this solution is nearly impossible because of the seemingly inexorable inter-action of the chains of confidence existing in the area.

The percentage of parity received by farmers is at its lowest level since 1939. In Nebraska over 46% of the farmers do not receive $3,000.00 per year moneyed income. In this area with a high percentage of farmers, the ramifications are more severe. Thus the extremely low per-capita earnings in this are stifles the level of retail activity. The retailers are unable to provide adequate compensation for their employees due to this low economic level of activity, nor can they carry an adequate stock in their respective areas of trade. The inability of the retailers to maintain an adequate supply of goods encourages the buying public to purchase their items elsewhere on monthly trips to SMSA's. Due to the comparatively high overhead and small volume of business activity in the local communities.

The base of the pyramid is thus once again established. Low agricultural profits results in low retail volume. This combination is resultant in higher per unit prices and lower wages to sales and service employees. The wage compensation is indeed so marginal that a married couple with two children cannot adequately support their family, thus they are forced to out-migrate. This economic situation stifles "professional" occupations, thus young adults from this area graduating from universities are unable to return to this area, simply because there is no opportunity available to them to use their acquired skills. The total result of these factors of course is a youth exodus, and thus, a higher percentage of unproductive citizens—the aged.

The aged primarily live on low and fixed retirement plans (Social Security, Railroad retirement, etc.), in an era of inflation, thus they reinforce the low economic activity, and many times are forced to apply for public welfare. Thereby placing an increased burden upon the tax base which increasingly grows smaller as more businesses are forced to close. Those remaining in the area must pay an increasingly higher percentage of local taxes to support the above indicated inefficient local governmental entities.

The pyramid thus grows, inevitably resulting in a lack of confidence in the area. It is commonsensical that a high number of senior citizens in addition to a youth exodus results in a small labor force. The lack of unionization (excepting medical, legal and communications personnel) coupled with low economic activity results in low compensation. The culmination of these factors results in an inability to attract new retailers. The small labor force and narrow tax base prohibits the entry of industry into the area. This therefore results in fewer jobs and a lesser tax base. The affluent individuals residing in this area see little promise, thereby investing their capital outside the area. Thus the triangles of conditions interact, and culminate in the lack of faith in the future of this area. They pyramid, compounded by the failure of the area to progress, is therefore reinforced, signaling a further deterioration.

The above was not simply a moot exercise, it is a real and painful evolution. The aloof academics of the problem end at the point human poverty and degradation begin. The individual inter-actions are apparent to all, the complexity and severity of their aggregate effect are ignored, less the eventual ramifications become too painful.

Skilled psychiatrists, psychologists and social workers exert endless hours to restore the confidence of one individual. It shall be our task to restore the confidence of communities composed of individuals who have lost their sense of well-being. This is an ambitious and necessary endeavor.

Such a task will require a commitment of the highest levels of Federal Government, to include bold and decisive action resultant in a thorough restructuring of present programs.

These actions must be immediate and must be comprehensive in nature, in acceptance of the undisputable fact that the programs and policies of the past simply have not produced the required results. What is required is a fresh insight and innovative look into the basically simple problem.

The problem in Rural America once again is:

(1) People are denied their basic and guaranteed right to live where they want and indeed are forced to migrate from their homes seeking adequate employment to maintain themselves and their families.

Possible solutions which may stem this forced migration are:

(1) Tax incentives for various industries, especially Ag-related and light industries to move to Rural America.
(2) Offer job information and financial assistance to families wishing to settle in Rural America.
(3) Awarding of Government contracts to industries located in Rural America.
(4) Relocation of large Governmental offices and activities in Rural America.
(5) Relocation of foreign and domestic Military Bases to Rural America.
(6) Development of a workable farm program.

I regret that time did not allow a more thorough investigation or more precise suggestions. It is hoped that there is however, some information contained in this document which will prove to be worthwhile.

STATEMENT OF EDWARD C. COLE, MANAGER, CHEYENNE COUNTY CHAMBER OF COMMERCE, SIDNEY, NEBR.

Mr. Cole. Mr. Chairman, the ever-increasing problems of major cities can be traced to the lack of job opportunities in smaller communities throughout the width and breadth of our great land. As stockholders in the greatest country on the face of the earth all citizens have a right to expect proper consideration of problems of such magnitude as we face in this era.

Considering the fact that Congress has seen fit to put a protective umbrella over the finances of industry in the form of guarantees it is only proper that Congress and the President shall have the power to direct industry as to plant location prior to awarding major contracts. Industry, without question, should be given the opportunity to select sites that will meet their particular needs, but they should receive direction at the Federal level. Each State has many communities that can and will cooperate and provide facilities that will measure up to the standards demanded by industry and Government regulations. Fresh clean air, lack of congestion and a willing-to-work labor force is available at wage levels consistent with current efforts to curb inflationary forces that have been rampant over a period of years.

Transportation is a major consideration on the part of all citizens, It is extremely important that transportation be effectively maintained if industry is encouraged to develop in rural America. A case in point: Under the Federal Aviation Act of 1958 the Federal Government obligated itself to pay subsidies in sufficient amount to provide a fair rate of return on invested capital for providing public service to smaller communities who cannot generate sufficient revenue to warrant proper service without financial assistance. The CAB has consistently overestimated revenues and underestimated the expense structure. As a result airlines have been unable to provide schedules that are consistent with satisfactory service. We respectfully submit that Government, like individuals, must recognize their obligations as set forth in the Federal Aviation Act of 1958. Refusal to honor this act constitutes a breach of faith and this act should be honored as written or stricken from our statutes of law.

We commend President Nixon for his initiative in recognizing the problems of rural America. We commend the Subcommittee on Rural

Development for your efforts on behalf of rural areas. We submit that with Federal direction on plant locations and proper maintenance of transportation facilities the urban problems may once again reach manageable proportions.

STATEMENT OF MORRIS F. MILLER, CHAIRMAN OF THE BOARD, OMAHA NATIONAL BANK, OMAHA, NEBR.

Mr. MILLER. In my judgment, the root of the problem of poverty in rural America is the technological revolution in our ability to produce food and fiber for the Nation's needs. Fewer and fewer of our population, aided by large capital investment and by new knowledge of productive processes, are doing the job. We should not attempt to reverse this trend, and probably could not if we tried. Certainly we should provide transitional help for the people affected, but we must not try to keep them in the agricultural production business.

We have learned, tragically in some cases, the difficulty in moving these displaced people to our urban areas. That, too, seems no longer a valid long-range solution.

The remaining viable solution seems to identify those industries which will operate efficiently in the rural areas, to stimulate the movement of such industries to those areas, and to retrain the people in those areas to perform efficiently in such industries.

To the best of my knowledge, no comprehensive study has been made of those industries best suited for this purpose. I believe the Federal Government can aid in making such a study and, upon the conclusion of that study, provide the necessary incentives to get such industries, in fact, to move to the rural areas.

And, finally, I believe the Federal Government can be very helpful in providing the training or retraining necessary so that our rural population can perform in the industry so identified.

Senator CURTIS. The committee will stand adjourned and we thank everyone, particularly those who remained all through these long hours for their assistance.

(Whereupon, at 6:05 p.m., the hearing was adjourned, to reconvene subject to the call of the Chair.)

(Additional statements filed for the record is as follows:)

STATEMENT OF HON. ROMAN L. HRUSKA, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Mr. Chairman: It is regrettable that my schedule will not permit my attendance at the field studies of the Senate Rural Development Subcommittee. Your subject—rural development—is naturally of intense interest to me as it is to all Nebraskans There is no more important long-range problems facing the nation today than how to successfully stimulate the revitalization of our rural economy and our rural areas; how to make rural living as popular, attractive and profitable as it once was in our society.

If I may present a few of my thoughts in a brief statement, it would be my first point that it is not our role in the Congress to use hearings such as these to express our views to the good people of rural America. I am sure you agree with this concept, Mr. Chairman. We are not seeking to sell rural America a progam of any kind.

What we seek to do it to listen to the people in the rural areas. We solicit the ideas of those who have made our agricultural system and rural America the backbone of our economy and the stabilizing force for our democratic system.

The people of rural America have demonstrated that when they are given an equal chance to compete in our economic system, they have the will, the ingenuity and the efficiency to perform in a superior fashion.

It is my firm conviction, Mr. Chairman, that the American farmer does not want a handout. He wants an equal chance to compete. Our aim therefore is not to formulate a plan for rural welfare, but a program which will give these people the same potential for success which other businesses have.

Improved technology has not only enabled the farmer to keep pace with the tremendous demands which have been made upon him; it has enabled him to continually increase his productivity. Where we have failed him is in enabling him to convert that increased productivity to more income. Thus the farmer is falling far behind in the rewards he is receiving from our system.

Better housing and public facilities are part of the answer to our rural problems. So are better health care, better educational and cultural resources and better sources of credit. But the real underlying solution is simply more income for rural people.

It gets back to this matter of equal opportunity. For instance, how many businessmen could survive long under the condition imposed upon the farmer—that of selling at wholesale and buying at retail?

What can we do about this situation, Mr. Chairman? I am sure we agree that the mere expenditure of Federal moneys cannot solve the problem. We can dole out all the money we have, but unless it is properly directed and properly utilized, it will not accomplish our objective.

Ultimately our program must be a people-oriented program. There is much concern about people in the urban areas. We have countless people-oriented programs to help these areas. The same concern for rural peoples must guide our thinking as we search for answers to our rural problems.

Much of our emphasis upon rural development has been based upon the premise that development of rural communities will also help the farmer. There is no question there is an interrelationship between these elements.

But let us not forget the core of our problem—that of rural income.

One step which should be encouraged, in my opinion, is an intensive search for ways to create markets in the rural areas for our raw agricultural products. Utilization of the products in the area itself will not only create a better market—immune from transportation and other economic problems—but it will also bring more employment to the area and evenually upgrade the entire economy of the area.

I am sure there are many other steps which will be discussed and which will have much merit. It is my suggestion, Mr. Chairman, that in the Subcommittee's deliberations the underlying conviction that the development of the rural areas is inextricably linked to an improvement in the farmer's economic situation.

Thank you for the opporunity to present these views.

Statement of Richard Lewis, Holbrook, Nebr.

Recognizing that agriculture is caught in a crunch between ever rising production costs, and disastrously low prices for grains, the Nebraska Legislature in 1971 passed without a dissenting vote L.B. 776 which provides an incentive for use of at least 10% anhydrous alcohol in a blend with gasoline. The incentive is an exemption of 3¢ per gallon of the state tax for fuel containing this blend using alcohol derived from farm grain.

The Nebraska Legislature, by the passage of this major action, hopes to lead the nation in assisting in the solving of some of the major problems facing America today. Those being:

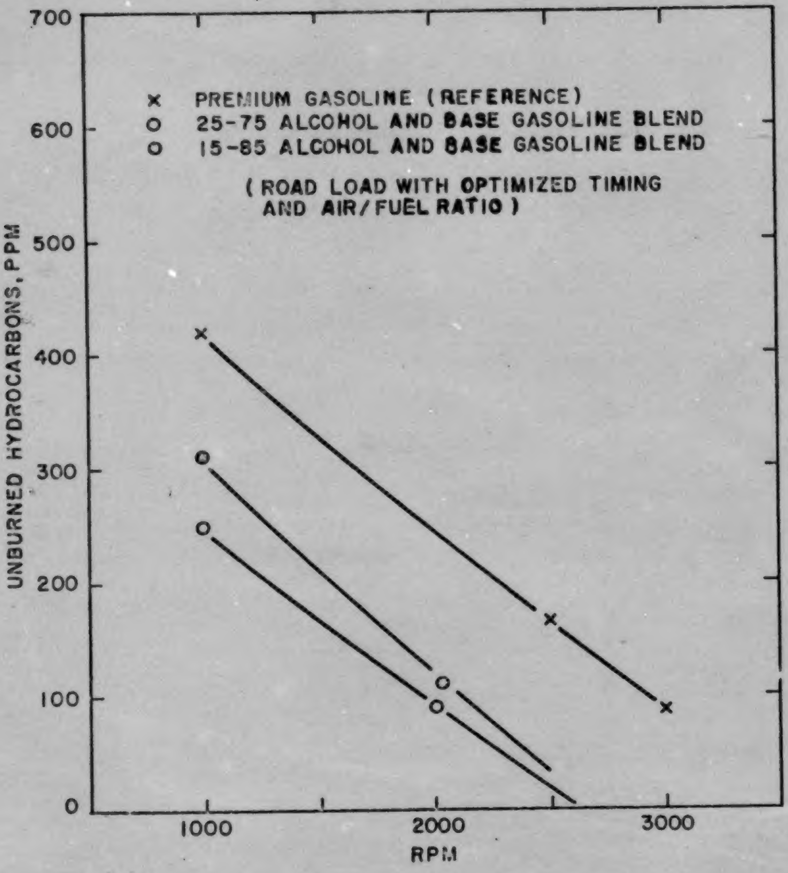
1. The out-migration of its rural population.
2. The stifling air pollution brought about by exhaust emissions.
3. The restrictions placed on our farmers ability to produce additional grain.
4. The depressing prices paid to farmers for grain.

We in the Plains States area believe these problems can be solved by utilizing our vast potential for grain production, by converting a portion of this production into fuel alcohol. Using Nebraska as an example, it would require nine plants, each using 15,000 bushels of grain per day and employing 250 persons per plant, to produce enough grain alcohol to supply a 10% additive to the gasoline used in Nebraska.

Nationally, this 10% grain alcohol fuel additive in gasoline would require the production of 500 plants located throughout the Plains States area, ***and would create one million new jobs in rural America.***

Extensive research indicates a dramatic reduction in air pollutents in engines using a blend of at least 10% anhydrous alcohol in motor fuel.

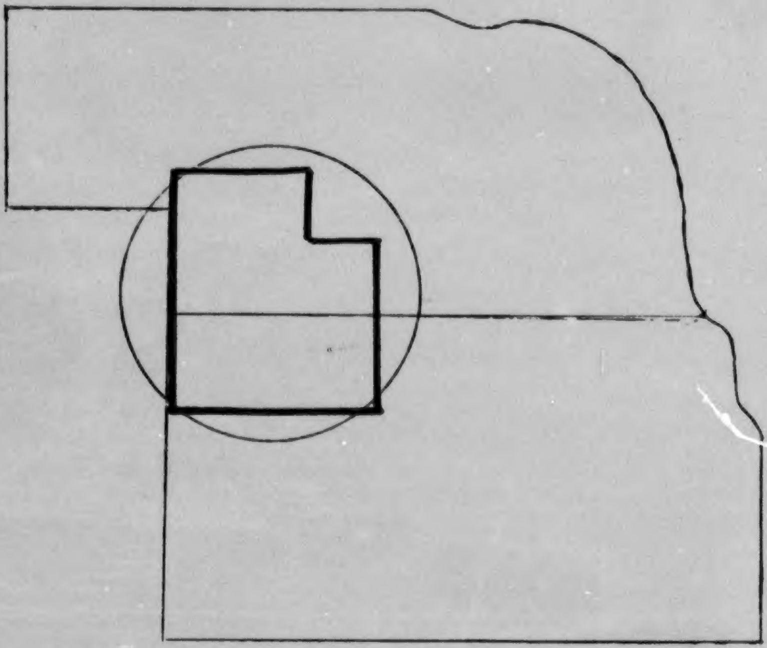
An exhaust gas analysis chart prepared for the Nebraska Department of Agriculture and Inspection, by the Department of Automotive Research, Southwest Research Institute, San Antonio, Texas, is shown on the following page.



EXHAUST GAS ANALYSES

To illustrate the present grain production ability of the vast Plains States area, we have prepared grain production, and export charts, covering a very small portion of this area, the twenty-seven counties of southwest Nebraska - northwest Kansas.

The grain availability figures presented on the next two pages are taken from the Nebraska and Kansas State-Federal Division of Agricultural Statistics Feed Grain Production Publication of January 1, 1971 and cover the counties shown within the red lines.



Nebraska counties	Corn production 1971	Sorghum production 1971	Corn and Sorghum export 1971	Wheat production 1971
Chase	4,252,850	239,250	3,486,100	1,393,080
Dundy	2,558,340	521,660	1,964,000	742,870
Frontier	1,593,480	916,500	1,413,980	1,852,680
Hayes	1,397,010	352,772	913,782	1,796,640
Hitchcock	1,505,390	322,200	911,590	2,147,840
Keith	1,503,570	100,880	[1] 87,450	2,690,850
Lincoln	4,539,280	151,720	2,140,000	1,630,570
Perkins	1,233,100	97,540	1,713,640	5,486,090
Red Willow	2,767,030	990,550	2,295,580	2,182,350
Furnas	2,971,200	1,525,100	2,258,300	2,355,400
Gosper	2,989,890	812,580	2,762,470	1,023,670
Harlan	3,634,740	1,251,710	3,311,450	1,749,680
Total	30,945,880	7,282,462	[2] 23,083,442	25,051,720

[1] Imported.
[2] Surplus.

Note: Export figures are not available on wheat. It is assumed nearly 100 percent is exported.

Kansas counties	Corn production 1971	Sorghum production 1971	Corn and Sorghum export 1971	Wheat production 1971
Cheyenne	1,738,800	763,200	1,798,000	3,627,000
Decatur	518,700	1,087,400	1,209,120	2,746,000
Ellis	62,300	380,400	256,625	5,236,000
Gove	227,500	1,100,800	619,855	3,478,000
Graham	740,000	963,200	1,498,754	3,131,000
Logan	662,400	318,000	596,579	3,954,000
Norton	298,200	1,138,500	899,240	3,020,000
Phillips	429,000	1,104,100	937,830	2,898,000
Rawlins	582,900	1,083,000	1,391,360	3,363,000
Rooks	71,500	304,500	110,940	3,613,000
Sheridan	1,501,500	1,825,200	1,603,497	3,490,000
Sherman	3,340,000	348,300	2,521,000	5,653,000
Thomas	2,244,000	698,500	2,252,320	6,653,000
Trego	232,000	559,000	453,745	3,558,000
Wallace	1,808,000	897,600	1,965,967	2,210,000
Total	14,457,800	12,285,500	[1] 18,114,832	56,630,000

[1] Surplus.

American agriculture is operating at half throttle due to the limited market for grain. The chief limiting factor, market-wise, is the high cost of transportation. Programs such as the grain alcohol fuel additive would allow agriculture to utilize its total production efficiency, and by processing grain into a finished product in the area in which it is produced, the saving in transportation alone makes this program attractive to the producer. This program would also enhance the livestock feeding industry in the Plains States area because of the amount of high protein feed by-products that could be utilized in feeding rations.

The Plains States area, the very heart land of America, is blessed with fertile soil, an ample supply of pure water, and industrious people, proud of their heritage, and who ask only what their ancestors asked, to be given the freedom to bring from the soil all that our individual abilities would allow. However, we share a problem common with all of agriculture in that available credit is very limited, and the cost of the additional extensive research, and the building of production facilities to allow a 10% grain alcohol fuel additive to gasoline cannot be achieved without self help grants by the Federal government.

Further, the one in fifty Americans engaged in agriculture cannot bring about the passage of Legislation, necessary to implement this program of benefit to all Americans, without the support of the rural development leadership.

Because the supply of petroleum is exhaustable, we in the Plains States area, believe it is in the nation's interest to begin to use as an additive to motor fuel, alcohol produced from a renewable source and urge that the United States Senate Sub-Committee on Rural Development encourage the development of the above proposal.

STATEMENT OF WALLACE C. PETERSON, CHAIRMAN, DEPARTMENT OF ECONOMICS, UNIVERSITY OF NEBRASKA, LINCOLN, NEBR.

A STRATEGY FOR RURAL ECONOMIC DEVELOPMENT

Data now available from the 1970 Census confirm the continuing trend in the United States toward urban concentration and the consequent loss of population from the nation's rural areas. The situation is that 73 percent of the American people live on about 2 percent of the nation's land area. As of 1970 only 26 percent of the population were living in rural areas, in contrast to 30 percent a decade ago. "Rural areas" include towns of less than 2,500, as well as villages and farms.

Nebraska, like the other Great Plains states, is not immune from these trends. Between 1960 and 1970, 61 of the state's 93 counties lost more than 5 percent of their population; there were only 13 counties which experienced population gains of more than 5 percent. The majority of these counties are located in the more heavily-populated eastern part of the state. Of the other 19 counties, only 6 gained population, while the other 13 lost people. The state's agricultural labor force declined from 198,000 in 1950 to 160,000 in 1960, and 108,000 last year. Three counties—Douglas, Sarpy, and Lancaster—now contain about 42 percent of the state's population.

In spite of these population shifts, Nebraska remains predominantly an agricultural state, a fact which makes the subject of economic development for rural areas one of critical importance to the people of the state. According to Dr. E. S. Wallace, Director of the Bureau of Business Research at the University of Nebraska-Lincoln, manufacturing employment exceeds 2,000 in only 5 of Nebraska's 93 counties and in only 3 counties are there more than 5,000 employed in manufacturing.

Population forecasts indicate that 100 million Americans will be added to our total population in the next 30 years—a development which will raise the nation's total population to 314 million, of whom 85 percent may live in urban areas There is a growing evidence, however, that the peak migration out of rural areas has passed, a development which may help bring about more uniform and healthier growth rates throughout the nation. In spite of this possibility, it is clear, though, that more uniform growth rates and a better urban-rural balance for the nation's population will not be achieved without constructive national policies directed to this end. The time seems especially right for creating new policies, particularly since many surveys show that a growing proportion of our population prefer to live in rural areas, providing jobs are to be found.

There are compelling economic reasons why policies must be developed leading toward an improved urban-rural population mix. The problems and turmoil besetting our large urban centers is well known. What, perhaps is less well known and understood is that "diseconomies" of scale probably increase exceedingly rapidly, once a city gets larger than 250,000 persons. In nontechnical language this means that the per capita costs for basic public services exhibit sharp increases, a fact well-known to the mayor of every large city in the United States. On the other hand, the decline of rural areas and the decay of small towns entails real costs to the economy because it leads to the abandonment and neglect of existing social "overhead capital" in the form of houses, business and governmental structures, road systems ,and other basic facilities. It is uneconomic to abandon such assets at a time when we confront excessive urban overcrowding.

A SEVEN POINT PROGRAM FOR RURAL DEVELOPMENT

There is no single formula which will slow down or reverse these trends and provide for the healthy economic development of America's rural areas. There are, though, a number of specific things that can be done by the Federal government to achieve this objective. I wish to recommend the following seven point program for your consideration and action.

1. A public policy commitment to family farming.—There must be commitment to the effect that it is the public policy of the United States to maintain and promote family farming as the basic for production in the agricultural sector. The family farm system should be the foundation for any rural development program. There is ample historic precedent for this type of commitment. One need only cite the National Labor Relations Act of 1935, which stated it was the public policy of the United States to promote and protect free collective bargaining in labor-management relations, or the Employment Act of 1946 which held it to be public policy for the Federal government to pursue policies leading to maximum employment and purchasing power.

There are sound economic and social reasons for such a commitment. In any economic activity the size of the typical production unit is determined by a combination of factors embracing technology, market structures, and public policy. In the farming sector there are no compelling reasons stemming from either technological nor market forces which require that agricultural production be carried out through extermely large-scale units. On the contrary, the best of modern farm technology permits a highly efficient operation to be carried on in an enterprise which can be operated and managed by the individual family Thus, public policy is the *real key* to the kind of farming enterprise that we shall have in this sector. Given the disenchantment with bigness that is becoming increasingly pervasive in our society, it seems that no useful social purpose can be served by forces which, if not countered, will destroy efficient small scale enterprise and a valuable social institution as well.

There is another dimension to this type of commitment that warrants mention. Agricultural production is the key goods producing activity in rural areas and it must be protected in this role if rural development is to be possible. The reason for this lies in the fact that the American economy is increasingly dominated by the production of services rather than goods. According to an analysis by the United States Department of Labor, wage and salary employment in goods-producing industries (including agricuture) grew by only 5.3 percent between 1947 and 1969, while wage and salary employment in service-producing industries grew by 81 percent. Through 1980, the Labor Department study foresees an 8.1 percent growth in the goods-producing sector and a 29.4 percent growth in the service-producing industries. What is the importance of this to rural development? The answer lies in the peculiar nature of the service-producing industries. Unlike the goods-producing sector, services do not depend upon some form of natural resources for their existence, nor can they be exported and imported between regions. Their essential base is population. If the decline in the number of goods-producing units in the agricultural sector leads to a population exodus—as has been the historic experience—then the economic basis for any expansion of service-producing sectors is simultaneously destroyed. Given, though, the changing structure of the American economy, economic development in rural areas must involve a substantial development of service-producing industries. Rural America is blessed with clean water, clean air, and an abundance of space, but these things do not yet constitute economically useful resources that can readily be translated into the producing of either goods or services that might employ people being forced out of farming.

2. Immediate improvement in farm income.—The continued economic development of either a nation or a region is partly a function of the income being generated within that nation or region. Higher income means a higher potential for development. Currently median income per farm family is equal to only 70 percent of median family income in the non-farm sector. This is not a healthy condition, particularly because *real* living costs do not differ by this much between rural and urban areas. This disparity in income is reflected in the fact that the parity ratio, unadjusted for government payments to farmers, was at 70 in mid June. Since the parity ratio has steadily declined since 1960, this means that the "terms of trade"—what the farmer must give up in the way of his production in exchange for the things he consumes—have worsened for agriculture.

What can be done immediately? Given the existing legal and economic structure for the agricultural sector, the Federal government is the prime instrument through which action can be taken to improve the farm income situation. This would involve increasing support levels for agricultural prices. The approach to agricultural income through the parity index has been basic policy since the 1930's; it remains as the best single tool we now have to attain this end, even though it has limitations. In the long run we need to develop a broader concept which will embrace income as well as price parity as a basis for comparing the economic position of the agricultural sector with the rest of the economy.

In the meanwhile, the case for higher support prices *now* can be seen in its proper perspective we compare what has happened since 1947 to food prices at retail and the prices paid at wholesale to the farmed for his products. Between 1947 and 1970, food prices at the grocery store increased by 62.7 percent. But prices paid to the farmer only rose 1.5 percent. Prices for all items rose 73.5

percent at retail and 44.3 percent at wholesale. From these data it appears highly unlikely that higher support prices would have adversely affected consumer prices.

One desirable by-product of higher agricultural income would be increased saving and, thus, higher deposits in the commercial banks in rural areas. Commercial banks are the major suppliers of non-realestate agricultural loans, both in Nebraska and the U.S., but in recent years deposit growth has been slower than the growth in loan demand. Higher agricultural incomes would ease this situation.

3. *Concentrated economic power and rural development.*—A development which has received relatively little attention is the growth of concentrated economic power and the impact this has had upon economic development, especially in rural areas. Since the early 1950's there has been a wave of corporate mergers in American industry as extensive as any period in our history. At the end of the 1960's, according to Dr. Willard F. Mueller, former Chief Economist of the Federal Trade Commission, 200 firms controlled 66 percent of the foreign and domestic assets owned by the 200,000 corporations engaged in manufacturing. Of this contemporary merger movement, Dr. Mueller said:

"The enormous merger movement in manufacturing is part of a broader picture of concentration and centralization in the American economy. Increasingly, manufacturing corporations have acquired many large nonmanufacturing concerns. Firms engaged in retail distribution, insurance, broadcasting, newspapers, and the utilities have been caught up in the movement. Of perhaps greater potential significance for the future, the holding company has returned to prominence as the vehicle by which nonindustrial corporations, expecially railroads and banks, are extending, or promise to extend, their control and influence over major industrial activities."

Mueller's last sentence is in reference to "conglomerates," which have been the dominant form of merger in the recent upswing in merger activity.

Contrary to the view widely and skillfully promoted by firms engaged in the acquisitive process, mergers of the conglomerate type often have *not* resulted in improved economic efficiency. Further, their efforts upon employment and income have generally been adverse, especially in rural-oriented states like Nebraska. Hard evidence exists to substantiate this conclusion.

In research for his Ph.D. dissertation, Dr. Stanley L. Brue, formerly a graduate student at the University of Nebraska-Lincoln, examined the economic consequence of 149 acquisitions of Nebraska firms by other firms during the period 1964–68. Of these acquisitions, 83 were undertaken by corporations outside the state of Nebraska, and the remaining 66 by Nebraska corporations. Statistical tests carried out by Dr. Brue revealed there were no significant differences between employment and payroll growth in the acquired firms and those of other typical firms in the industry concerned. Thus, his findings refute the view that firms acquired by other firms through merger tend to be slow growing or dying enterprises which would benefit from an infusion of new management and expanded financial resources.

The contrary is more likely to be the case. In the mergers involving the acquisition of Nebraska firms by out of state corporations, Dr. Brue found that post-merger annual rates of growth in both employment and payrolls became negative, resulting in a substantial loss of income within the state as a consequence of mergers. Specifically, he found that whereas the acquired firms had a pre-merger average annual rate of growth for employment and payroll respectively of 1.257 percent and 6.958 percent, the average post-merger employment rate was −8.353 percent and the post-merger payroll rate −1.592 percent. In 1970 alone, according to Dr. Brue's research, the aggregate income loss in Nebraska from mergers was estimated to be $24 million.

Further, the acquisition of Nebraska firms resulted in an outflow of corporate control and decision-making authority from the state, a development which served further to concentrate geographically corporate control in this country. This net outflow of corporate control was also experienced by other Great Plains states, according to Dr. Brue. In the period 1955–1968 the states of Nebraska, Iowa, South Dakota, North Dakota, Kansas, Colorado, and Wyoming experienced a net outflow of corporate control of 334 manufacturing concerns. This loss of "corporate control by sparsely populated states serves to undermine the economic viability of these states . . ."

To remedy the adverse effects that the conglomerate-dominated merger movement is having upon the economy—especially upon less populated rural regions—the Congress should consider several things. First, through an appropriate committee it should undertake a new investigation into the concentration of economic power in the American economy. This should be on the scale of the Temporary National Economic Committee (TNEC) investigation in the period just before World War II. Second, the Congress should consider new additions to the antitrust laws designed to restore meaningful competition to major sectors of the economy. In this connection, the Congress should consider limits on the amount of assets of other corporations—competing and noncompeting—that any firm could acquire through merger, demonstration to an appropriate public body—the Federal Trade Commission, for example—that a proposed merger would not lessen competition and was in the public interest, and, finally a Federal incorporation statute.

4. *Federal location policy.*—The Federal government should develop a policy which takes the lead in the decentralization of government activities. The two chief means by which this can be done are the location of Federal installations and the awarding of Federal contracts. This will not be easy to achieve, given the traditional "pork barrel" approach to the location of government activity. But the role that the Federal government can play as a catalyst in stimulating the development of an area should not be underestimated. As already pointed out, service-producing industries have been growing faster than goods-producing industries. Among the fastest growing source of jobs in the last decade in areas outside major cities has been government. This makes it mandatory that such a policy be developed.

5. *A system of rural development banks.*—Congress should proceed with creating a Rural Development Bank system. One of the critical needs in rural America today is for social innovation in the realm of finance. A new type of financial institution is needed to provide long-term, low interest loans for the economic development of non-urban areas. A Rural Development Bank system ought to be organized on a regional basis, using the Federal Reserve System as a model. Ownership of the bank in each region should be vested primarily in the communities which it serves. This would provide for the maximum of regional and local control. It would take Federal assistance to get such a system started, but beyond that the bank could issue its own obligations to private investors. A Federal subsidy would no doubt be necessary to keep interest rates at low or moderate levels on the loans made by the system for rural development purposes, but this would be desirable because it would reduce the need for the Federal government to subsidize state and local borrowing by making their obligations tax exempt, a practice that benefits only taxpayers who are extremely wealthy.

6. *Regional development institutes.*—The Congress should consider a modern-day version of the land grant concept by the establishment of a series of Regional Research Institutes whose purposes would be to provide badly-needed knowledge on population, resources, income, and all other facets of development to the communities within the region. The primary focus of such research should be on rural development. In the 19th century the land grant concept provided the means tc transmit the fruits of agricultural research ot the farm producer. Now we need a new and cooperative venture which will enlist the talent and energies available in several states in the problems of development that are common to the people and communities of an entire region. In the Great Plains area two such institutes might be created, one to embrace the northern tier of states and one in the southern part of the region. Through imaginative legislation it would be possible to link the Rural Development Bank and the Research Institutes together in a new and dynamic social institution which would not be a part of the Federal government, but a decentralized creative entity which would draw its basic talent, resources, and energies from the region it is designed to serve.

7. *Government inducements to private industry.*—The Federal government should give careful—though exceedingly cautious—consideration to an examination of the extent to which tax incentives and loan guarantees might be used to encourage job-creating industrial and economic growth in rural areas. This approach can be productive, but it must be used with extreme care simply because experience with the Federal tax laws shows that too often incentives simply turn out to be loopholes that favor firms and groups that already enjoy special privileges. A recent study by the Associated Press indicated that private enterprise in America was now collecting approximately 30 billion per year in subsidies and subsidy-like aid from the Federal government. Such aid goes to business in many forms, much of it hidden or disguised. The aid includes cash payments, tax breaks, low interest loans, guaranteed loans, technical assistance, and grants given through state and local governments. If the Congress is really determined to do something meaningful for rural economic development, many

of the subsidies which now exist could be re-channeled or redirected in ways which would help rural areas. Such an approach would not involve any increase in Federal outlays—and hence taxes—but simply a re-orientation of existing programs.

As Senator William Proxmire of Wisconsin has pointed out, there is now the extent to which the Federal government is subsidizing private business and no system of accountability for Federal subsidy programs. No one really knows for what purpose. One of the first requirements here is for the federal government to get its own house in order and make it clearly known to the American public just how much is being spent to subsidize private business and for what purpose. Once this is done, it would be possible to procede with consideration of new tax incentive programs designed to stimulate rural economic development.

(The attachment to Mr. Peterson's statement is as follows:)

THE CRISIS IN AMERICAN AGRICULTURE

(By Wallace C. Peterson)

After several decades of apparent prosperity and unprecedented economic expansion, it is becoming more and more apparent that the American economy is not only unable to get full employment without inflation, but that it does not operate to distribute jobs, income, and reasonable affluence to *all* the population. As a recent editorial in *Life* magazine put it, "Some glib assumptions about American affluence have gotten utterly out of line with the realities of life as lived by most people." Too many groups—the aged, the wage earner, the small businessman, the farmer, and even many of the alienated young—feel they are being economically forgotten by what we think of as the world's most productive economic system. The claim to being economically left out has special validity in the case of agriculture, as this statement attempts to demonstrate.

SOME STATISTICAL EVIDENCE

A few statistics—some well-known and some not so well-known—will suffice to indicate clearly that American agriculture is not faring well, even though the nation's real output grew by nearly 50 percent during the last decade. The health of agriculture is critical to Nebraska, simply because farming is still the most important single industry in the state, even though there have been some important gains in manufacturing in recent years. What is sometimes overlooked, though, is that most of our employment in not only manufacturing but also in wholesale and retail trade is directly or indirectly related to agriculture.

Now for a look at some statistics. For example, the medium income per family in the non-farm sector of the economy was $8,499 in 1969, in contrast to the medium income per farm family of $5,936. When farm income averages only 70 percent of the non-farm income this is not a healthy condition, particularly since *real* living costs do not differ by this much between rural and urban areas.

There are some other important statistics which reflect the adverse income situation between agriculture and the rest of the economy. There is, of course, the familiar and dependable parity ratio, which has declined from a post World War II high of 115 in 1947 to 72 last year. Even if government payments to agriculture are taken into account, the farmer's economic position relative to the rest of the economy is much worse than it was immediately following the war. Another way to look at this is to examine the price spread between the price paid to farmers as reflected in the wholesale price index and consumer prices, including the price of food. Last year the wholesale price index for farm products was only 1.5 percent higher than in 1947, although overall consumer prices were 73 percent higher and food prices at the grocery store 63 percent higher. Since all wholesale prices went up in this period by 44 percent, farm prices clearly did not follow the trend for other commodities sold at wholesale. These statistics provide verification for what both farmers and consumers instinctively sense, namely that lower prices on the farm seldom, if ever, translate into lower prices in the grocery store and meat market.

Another statistic of critical importance pertains to productivity in agriculture. Since 1947 *output per employed person*[1] in farming has gone up by an astounding

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[1] The term "employed" means everyone working on a farm, including the owner-operator.

287 percent, although *real* income per farm has gone up by only 36 percent. In a market economy there should be a better relationship than this between income and the contribution to output, insofar as the latter if reflected in productivity statistics. As a matter of fact, throughout the whole of the postwar era productivity in agriculture has increased about twice as rapidly as productivity in other parts of the economy, even though the farmer has been caught in as severe a price-cost squeeze as exists anywhere. It is the remarkable productivity of American agriculture that accounts for the fact that Americans spend a smaller proportion of their incomes for food than do consumers in any other major industrial nation.

The foregoing statistics on productivity gains in the agricultural sector put the costs of governmental programs for agriculture into better perspective. Farm programs that sustain farm income are not an excessive price to pay for helping to maintain this remarkable record of true technical progress. As a matter of fact, farm program costs appear large only to the misinformed and only when considered without reference to other items in the Federal budget. In recent years, Federal outlays to stabilize prices and farm incomes have averaged about 3 percent of total Federal expenditures, a figure which might be compared to the approximately 45 percent of Federal outlays going for military purposes, little, if any, of which is directly productive. The peaceful purpose of using barely 3 percent of our national budget to provide people with food to eat can hardly be termed wasteful.

If we want to direct criticism at Federal income support programs it should not be aimed at their amount, but at the fact that the benefits, like so many other programs in our national life, flow too often to those who need them least. For example, recent census data show that there are about 73,000 farms in Nebraska, but according to figures released in April by the U.S. Department of Agriculture slightly fewer than 9,000 farmers received over $5,000 per farmer in government payments from all sources. Farmers getting more than $5,000 per farm accounted for approximately 12 percent of the farms in the state, but received 37 percent of the total government payments. In agriculture, as elsewhere in our economy, public policy too often works to increase rather than to lessen excessive concentration in income and wealth.

Finally a word about taxes. Although there has been some general recognition that the property tax—especially as it works at the local level in Nebraska—hits the farmer especially hard, it has been thought by some that farmers pay less on the average in sales and income taxes, whatever their income bracket. Now, though, a recent study by two Iowa State University economists casts doubt on this proposition, for they found generally farmers paid at most income levels a higher percentage of their incomes for both sales and income taxes. While this study was done in Iowa, the results appear applicable to Nebraska.

WHERE DO WE GO?

While the foregoing statistics provide hard evidence concerning the worsening economic position of the American farmer, they do not give any answer to the question of what is to be done to arrest the erosion of family farming and the decay in the quality of rural life in America. The powerful economic and social forces which brought us to the crisis confronting the farmer are still at work. One thing we can be certain of, and that is it is going to take a most determined effort to change their direction and devise policies which will insure agriculture a fair share of the national income. Three routes are open: the first is found in the programs being proposed by the Nixon Administration; the second is to continue to follow the path trod since the 1930's; and the third is to strike out boldly in a new direction. Let us examine each of these possibilities.

Although the language and rhetoric coming from the USDA in the first years of the Nixon Administration tended to confuse and confound rather than enlighten, the direction which current policy is taking is now becoming apparent. The fundamental intent is to move more and more toward dependence upon the market with less support from government insofar as agriculture is concerned. The Administration argues that its program will mean more income for farmers because they will have greater freedom to produce for the market. Flexible price supports are to be the tool whereby American exports of farm products can be increased. As a matter of fact the Administration appears to be counting on a hefty increase in exports to offset the inevitable income losses that lower support levels entail.

Will this approach work? The odds are against it for several reasons. The basic fallacy is in believing that you can improve the farmer's income situation by forcing him to operate in a more competitive market when practically all other sectors of the economy are cushioned in one way or another from the economic effects of unrestrained competition. The historic evidence is that this simply will not work. The expectation of the Administration that it can expand our exports, overcome our balance of payments troubles, and increase farm income by lowering support levels is likely to run afoul of the peculiar nature of the demand for food and fiber. Lower prices for agricultural commodities historically have meant lower incomes for all farmers, while there is not much evidence to suggest that this approach will significantly expand our exports, particularly in view of the strong efforts made by most other nations to protect their farmers from foreign competition. Further, there is little indication that the Administration is really serious about either stemming or reversing the rural to urban migration. The President's recent and much publicized program of revenue sharing for rural community development adds only $179 million to sums already being spent.

What of the second route? This is to continue essentially unchanged programs of price supports and acreage limitations which got started with the original Agricultural Adjustment Act in the 1930's. One difficulty with what now might be termed the traditional approach is that the Congress has never been willing to move to a 100 percent parity for agricultural prices, although in 1941 the Steagall Amendment to our basic agricultural legislation guaranteed the farmer 90 percent of parity during World War II and two years thereafter. Perhaps the basic difficulty in this approach has been that it was not grounded in a clear conception of what kind of an economic and social structure was needed and desirable in our agricultural and rural areas. The parity idea is a useful tool for improving the income position of some farmers, but it is not adequate to solve the income problem for all farmers.

What are the possibilities for new directions in agricultural policy? One would be foolish to be overly optimistic about how much can be accomplished in an era when, nationally, farmers now represent only about five percent of the labor force. Nevertheless this five percent has a strategic significance in the American economy many times greater than this figure suggests. Consequently, strong and imaginative efforts must be made to establish a new foundation and new directions for agricultural policy in the United States.

As a first and fundamental step future agricultural policy must rest upon a national commitment to family farming as the basis for production in the agricultural sector. What, one may rightly ask, is so special about such a commitment? The basic reason is as much psychological as economic, for once the commitment has been made, it becomes easier to find the means to obtain for farmers a fair share of the national income. There is ample historic precedent for this kind of commitment; one need only cite the National Labor Relations Act of 1935, which commited the United States as a matter of public policy to promote collective bargaining in labor-management relations, or the Employment Act of 1946 which held it to be the public policy for the Federal government to pursue policies leading to maximum employment and purchasing power. A national commitment provides the incentive to find the means to achieve a given social or economic objective. More recently, the commitment the Kennedy Administration made to land a man on the moon offered a dramatic example of this procedure.

There are other reasons why this should be done. It should be evident to nearly everyone by now that no useful social purpose is being served by policies that continue to squeeze the agricultural economy, forcing more and more farmers off the land and leaving the small towns without a sound economic base. There is much talk these days about the need for rural development, but without explicit recognition that prosperous family-style farms are the key economic base for the rural community, meaningful rural renaissance is not possible. The counterpart to the rural exodus is the explosive overcrowding which has developed in our great cities, a condition that must be corrected.

The second step is to clearly identify those elements in a national agricultural and rural development policy that not only are best done by the Federal government but for which it currently has the capabilities. Two things fall into this category. First, the Federal government remains the best instrument through which price and income support for agriculture can be obtained, whether by the parity formula or some yet-to-be-discovered new approach. Policy in this realm also includes Federal support for private action to strengthen the farmer's economic position, an example being the current trend toward collective bargaining as practiced by the NFO. Second, the Federal government must be the primary agent for development of a national location policy desiged to bring about a better geographic distribution of our population. Some of the elements in such a policy would include careful decisions about the location of new Federal installations, judicious credit arrangements and carefully conceived tax incentives, and, finally, subsidies to local communities.

Finally, we need to assess our need for new social inventions. In the past unmet and critical social needs have been met by working out new ways of doing things. For example, when our monetary system in the period before World War I proved inadequate for a rapidly expanding economy we invented, so to speak, the Federal Reserve System. This gave us badly-needed control and stability for our money supply. Today in the rural America our most critical need for social innovation is in the realm of finance—finance for an enlarged family-type farm which may have an investment in production assets worth up to $100,000 and finance for rural development, including the small towns of rural America. A new concept which offers an exciting promise is that of a Rural Development Bank, organized in a regional basis much like the Federal Reserve System, and funded in part by the Federal government and in part by private subscription.

In the nearly three decades which have passed since World War II ended, technological and social change in America has preceded at a dizzy and often socially-destructive pace, as witness the near-helpless conditions which exist in most large American cities. But this is behind us and cannot be changed. What we can do is to try through intelligently conceived policies to master these forces and channel them in a constructive direction, the aim being to create a physical and social environment in rural and urban America alike which offers to everyone the possibility for a creative and meaningful life.

STATEMENT OF EDWARD H. ELY, LINCOLN, NEBR.

Your committee and Mr. D. B. Varner discussed the possibility of an Institute for Rural Development utilizing the University of Nebraska as a vehicle to carry federal funds for rural development. In my opinion, this is an excellent approach not only for Nebraska, but nationwide. The methodology of such an approach might travel a variety of avenues. I would like to outline one approach along the institute lines which I think would benefit rural America:

Develop a university task force composed of students majoring in study areas which would be most helpful to the rural community. Permit students to draw on the vast repository of information at their respective college. For example, Political Science majors—for assistance and community leader education in city and rural government; Engineering majors—for help in housing survey and the mapping and development of utility plans; Business and Agricultural Economic majors—to help with industrial-site development planning, attracting new industry, studying the economic impact of new industry; Geology majors—to locate natural resources; Journalism majors—to gain public support. The number and specialty of students required and lengths of a project would depend on such factors as size and requirements of the community.

At the outset establish a few model rural communities to test pilot the projects. It would seem appropriate that Economically Depressed Areas should be given priority consideration.

Allow students the opportunity to work with the community. In the beginning, rapport would be a critically important factor. Students would have to possess a good attitude plus knowledge and allow any defensive attitudes of the rural populace to subside. We must recognize the independent nature of the rural American and his suspicions of change. Yes, it would be a two-way educational process. Organizations such as the Coalition for Rural America and Vision-17 would appear quite valuable here in preparing a community for the transfusion of new ideas.

Assign task force group leaders, possibly professors or graduate students, to supervise the students in their objectives. Upon completion of the projects, clear, concise, written reports prepared in each area of study would provide information, reference and future guidance to community leaders. The same reports could be evaluated by university staff members for credit hour evaluation.

Federal funding might be used to help pay for teacher/student lodging and expenses while they are in the community. Such a system may seem mundane to many people. But aren't people the most important resource we have? If rural commumnity models of this type are successful, would youth migrate back to rural areas? Would they live in a community where they invested part of their identity? Would young people establish themselves in a town that was alive instead of dead? Wouldn't such a system be almost totally objective since it would be educational and nonpartisan?

When the students finished their project the community would know where it stood and what it must do to survive. More importantly the community would know how to get things done. The leaders would be equipped to set local goals and objectives and achieve them. The people would know how to obtain governmental monies; how to locally develop industry or approach outside industry. They would know which industries the town could absorb and what type industries the town desired. No longer would small communities fear the bureaucratic process when trying to obtain their objectives. They would understand how big government is designed and how to participate effectively in various interest groups such as the Coalition Rural America, NFO, Co-ops or whatever to help their cause. They would understand such economic tools as Industrial Development Bonds.

If a community model project failed, find out why, and correct the cause so it wouldn't happen again.

The comment has been made, "How can rural Americans have any faith in themselves; when the government doesn't have any faith in rural America?" Such thoughts take on new meaning when viewed from the bottom of the national economic pile.

The above ideas may parallel those already in existence, however, I submit them for your consideration.

STATEMENT OF ALFRED T. DRAYTON, PRESIDENT NIOBRARA RIVER BASIN DEVELOPMENT ASSOCIATION, O'NEILL, NEBR.

I am Alfred T. Drayton, President of the Niobrara River Basin Development Association. The Association is made up of businessmen, ranchers and farmers living in and representing the entire length of the Niobrara River Basin, and encompassing a variety of interests. The common bond of the members of the Association is the fact we are from a nearly total rural area. Only one city in the entire Basin has over 2,500 residents. That is Valentine, Nebraska with about 2,800. The Niobrara Basin covers either totally or partly 12 counties in Northern Nebraska, plus some in Wyoming and South Dakota.

Brown County Nebraska was the only county in the Basin to show a population gain in the last census. This gain was in response to a new irrigation project known as the Ainsworth Unit. Agribusiness has increased through machinery sales, feed, fertilizers, etc. Many thousands of cattle are now being fed in the area and all the grain produced is being used locally.

Here in the Niobrara Basin, another irrigation project has been proposed. It will be known as the O'Neill Unit. This project will irrigate some 77,000 acres of land in Keyapaha and Holt Counties. It is expected to, through the 160 acre land limitation law, to create between 250 and 300 new land owners. The towns in the area are expected to grow due to the Agribusiness that the project will create.

In at least the last five census reports this area has shown a heavy decline in population. If one could go back over the years we would see that most of the migration took place in years of low rainfall. In this area, a good crop is more important than high prices. Importing feed always follows a poor economy in the livestock industry. Business in the towns lessens and causes the closing of some that could have remained, had the farmers prospered.

In the past 25 years or so, the migration has been increased by the corn programs of our government. It has been hard for the smaller farmers to benefit from the programs, while the large operators collected payments that should have gone to the ones in need. For instance, in Holt County in 1965, six large operators collected over half of the money that was made available to 1,200. We have large operators that idle land and store grain in large amounts that provides the money to buy out the small farmers. Limits on payment to farmers should have set at not over $5,000 from the start. This would not have made the farm program so attractive to the large operators.

There is a considerable difference in the cost of production on a farm of 320 acres and one of say 3,200 acres. The 320 acre farm on a per bushel of grain produced, uses more labor, more financing, more machinery, more fuel, in fact, more of everything connected to farming.

There is only the possible in the life of any nation where large farms might be a benefit and that would be during a time of all out war. This is one thing no one should desire.

Quite often, you hear how Congress has failed in the past in keeping pollution of air, land and water under control. Laws were passed years ago, but not enforced, that would have gone a long way in preventing the present conditions. Likewise, deterioration of our cities could have been prevented had proper measures been taken 30 or 40 years ago. Now in light of the figures showing the expected population growth, this is the time to act to be ready to produce more human food. It takes 10 years to build a project like the above mentioned O'Neill Unit. It would take several such projects like this one just to stay even.

The Situation We Face as Educators in Community Education and Area Development

(By Bert M. Evans, Extension Economist, University of Nebraska, Lincoln, Nebr.)

The intent of this paper is to cover considerable ground in a fashion that will evoke discussion. I leave more detailed development of points to our discussion.

Before I can discuss community education, I must raise the question: Education for what? The same answer that we have accepted for some time in extension work is: to enable people to make better decisions. We inform in order to provide the framework of basic facts and alternative solutions within which our audience can function in the decision-making process.

What problem or what situation do these people face in community development? My definition will be brief at this point with points added from time to time along the way. People are faced with situations and decisions relative to the structuring or restructuring of their community in such manner as to adjust to social and economic change, and bring about desired economic and social change, or said another way, to build the type of community in which they would like to live to the extent that they (1) are able to agree upon what they would like and (2) have the power and capacity to carry out their goals. While this is a mouthful, it still is not adequate working definition for our purposes.

The basic problem people face is one of acquiring the range and depth of information and understanding about social and economic issues consistent with the complexity of those problems—on a par with the information and understanding available to them in their farm production decision making. This definition gives us our goal. It allows us to define not the problem that people face in community development but the problem we face as educators.

Just to cover the familiar terrain as to why we face a problem as educators, I will outline some self-evident forces at work. Professor Montgomery at the University of Texas always stated the major cause something like this: "For all scientific and technological change there must be an equal change in the institutional framework." Radical scientific and technological achievements have implications for major social and economic adjustments. Adjustments must take place not only in the practical and instrumental ways of carrying out our socio-economic activities but also in the full range of attitudes and perceptions we have of ourselves, of others and of our society. People can make effective and desirable institutional change only to the extent that they are informed of the alternatives We are all aware of ill-conceived adjustments premised on insufficient knowledge.

We face a problem as educators because we live in a democratic society. Ours is a nation in which we rely upon the collective judgment of all persons in order to govern ourselves. A strong factor in judgment is not only a strong base of information, but in addition exposure to theories and interpretations of the whys and wherefores of public activities and the alternative routes in public decision making.

We face a problem as educators because the United States is the leading edge of world development. This may sound like I am building a "federal" case, but the goals of our nation and its achievements do affect world development. Many nations look to us for leadership and assistance. Our leadership and assistance is directly affected by the way in which informed citizens and governmental leaders carry out their responsibilities. We educators have the responsibility of informing lay citizens and elected officials alike.

It is not only in rural communities or the subject of area development that educators face a problem of providing information. There are the problems of the ghetto, Vietnam, clogged transportation systems, hippies and drugs and pollution among many others. Thus, I would argue that the remarks I make apply in general to the needs of our society as a whole rather than to area development decision making alone. If people are to come to agreement on some of those vital issues mentioned, they must be sufficiently informed to make moderate adjustments before revolution is accepted as an alternative.

The problem we face then can be stated as supplying people with the technical knowledge and understanding of community problems and issues on a par with the complexity of those issues and to the depth and degree we have accomplished this educational process in agricultural production.

How did we do it in agricultural science and technology as applied to the farm operation? Let us review. From the beginnings of the Land-Grant College system and the Federal Extension Service, farm people and the agriculturally related industries and business have been inundated with information on farm production science and technology. Farm people have even been assisted with much of their economic decision making as applied to farm production and to a lesser extent as applied to buying and selling. Not only has the information been forthcoming but also the means of communication of this information has grown apace with the facts and their application. The communication sources are radio and TV, local newspapers, farm magazines and weeklies, bulletins and reports issued by farm organizations and associations, farm supplier publications and films and the full range of activities of agricultural colleges to include personal consultation, workshops, night meetings, field demonstrations and the like. The great bulk of information communicated through these sources is factual and shows little bias of selfish interest of the source.

What is the case with information and education with respect to public affairs? In my view it has been rather limited. I cite as evidence, the persistence of a full range of public, unsolved problems facing communities, states and the nation. Another way to gauge the differences in level of information supplied might be to consider the manner in which farmers would be given the results on corn borer research on the one hand and the results of a trade school research project on the other hand. As another reference of how well we are doing the job, consider also the difference in the length of time involved in the decision-making process in the two cases.

I would argue that we have not furnished information for communities on public decision making on a par with either (1) that which we have furnished farmers on farm operations, or more important, (2) that which is necessary on public issues consistent with their complexity. It seems to me that putting out research findings on corn borers is a much simpler matter than putting out research findings on the trade school situation and alternatives. We have not gone far enough beyond the educational techniques applicable for fertilizer application and herbicide use in our attempts to assist the community in their public decision-making process.

Why are we not doing the job? Why do we not develop the degree of understanding and depth of basic information on the part of citizens that we have done so well for farm entrepreneurs of the rural community? Why are educational institutions reluctant to take the leadership in providing solid information about school redistricting, taxation and road development as contrasted with fertilizers, insecticides, herbicides, feeding rations and the like?

Without any attempt at ranking, it is obvious that ideas and beliefs are much more difficult to change than is the case with technical or engineering like changes. We have been to a degree accustomed to giving people the "facts" on 4-H calf currying, hemming dresses and fertilizer application. We feel reasonably comfortable in the role of "expert" with the "right" answer—and our clientele likes it that way. It demands less on their part. Somehow this is the nature of technical information related to things of the concrete world as opposed to technical information related to institutional arrangements. In this then we find the first hint of controversy. What *is* "right" and "wrong" in locating a new county hosital?

Another factor that makes for difficulty is theory. There are theories in social and economic problems that we might use and thereby be more aggressive in our education job. But, there appear to be more gaps. Community development, for example, suffers from the lack of a comprehensive theory. General theories of economic development and theories of national development (and these leave much to be desired) are not fully matched by theories of community development.

Not only do we lack the range of applicable theory with which to base the educational job demanded but also the amount of research and personnel allocated to our areas of concern are minimal. We simply do not have the range of facts and research results available with which to teach as is the case with hybrid corn or new wheat varieties.

People lack sufficient motivation to enter freely into the learning and decision-making process in community, state and national affairs. Motivation is somewhat more direct in the case of the correct rate of irrigation water. Bushels are easy to measure and the farm operator has a clear economic motive. We as educators have not yet learned how to build in the motivation of people, to learn about social change, that is so vital to the educational process. I have found that the "real" questions and basic opinions are many times withheld until the second day of a workshop. Apparently we somewhat haphazardly spent the whole first day getting people motivated.

At least some universities are still bogged down in the decision making of whether to help people in an educational sense or an organizational sense. This point is more directly related to area development. Stated briefly, we as educators have the alternatives: (1) Inform citizens on the various issues of area development to the point that they form organizations, restructure local government and its services or adopt whatever means of change they might find to begin to bring their community more into line with the kind of community in which they would like to live or (2) assist them in forming organizations and through the servicing of these organizations bring them to the level of understanding of area development at which the organizational structure has an instrumental value to them in developing their area. Perhaps some of both of these approaches to providing information is the better way, but until we comprehend the difference and weigh each in terms of marginal educational returns to the limited resource base available, we are apt to be unsatisfied with our results.

History is against us. Ours has been a society of individualism, strong concern with private economic gain and at least a bit of suspicion about government planning. It is difficult for our clientele to welcome with the same enthusiasm a workshop on aid to dependent children as would be the case in livestock management. Not only is it difficult for clientele but also our administrators, and we are more apt to harbor more biases and fears in the one case than in the other. And how about a workshop on world family planning problems, or the pros and cons of county consolidation? It is easy for our clientele to see direct gain in better livestock management, but difficult to see how more meaningful programs of aid to dependent children might be to their personal benefit.

We do not have the assistance of the business and industry of the agricultural community to encourage, assist, and which in some cases nearly takes the educational job away from us. Businesses have a direct interest in better knowledge on the part of farmers in many areas of farm production. Their mutual interest with farmers is not quite so clear in the case of marketing and all too often it runs counter to farm and rural community interest when we consider such areas as taxation and road development. Thus, the incentive and reward we might receive from the community at large is of a different order than if we were to do a good educational job on swine rations.

Mass media treatment and assistance seem to differ in response to a new hybrid wheat discovery and the discovery of tax inequities. Much of the response of the mass media is, of course, simply the reflection of citizen response. The tendency is for information to be straight reporting in the case of wheat, while what little information there is forthcoming through research on tax inequities is sandwiched in among heated statements by persons on opposite sides of the tax issue when it is at a boiling point.

Public issue type information needs seem to come in a different size package. Farmers may be able to use information on fertilizer, then on herbicides, then on methods of harvesting and the like somewhat separately and sequentially. What a citizen needs to know about school redistricting is almost inextricably tied up with what he needs to know about road planning and taxation. Community education, I would contend, is a much bigger package and unless packaged as big as it truly is, will be even more controversial than usual.

Not only is it more difficult to separate out discrete parts and do them over time as if they were unrelated but also the entire community needs to know at the same time. In the case of fertilizer any one farmer can make the decision alone, others later and some may be able to avoid the issue forever. The case is different with school redistricting. The community must make a joint decision. Votes are not additive over a 5-year period. This makes the "packaging" even more difficult. Grossly overstating the challenge, we seem to have the problem of informing all people on all community problems all at the same time.

One final factor contributing to the complexity of community education or the education of citizens on public issues; much of the decision making within a community is circumscribed by national or state policy and by the objectives of large corporate enterprises. In area development, for example, plant location is determined by the industrial decision-making process. What a community believes or understands may have no effect upon whether or not additional job opportunities are generated in their community. A farm operator, on the other hand, has the degree of freedom necessary to respond directly to better methods of tillage. Thus, sorting out areas of educational material that are truly relevant to the commumty is more difficult in the case of community education than in the application of herbicides.

Enough on the factors that make our education job more difficult, why is this responsibility ours? *There is no one else to do the job.* Scholarship for the sake of scholarship is a dream of the past. If we continue to generate the knowledge that citizens need in community affairs, we can expect that we also must develop the means of carrying that information to citizens. Because we know that citizens need to know more, makes it incumbent upon us to inform them. Moreover, unused research and information constitutes a roadblock to further research.

Subject matter areas in community education and area development appear to me to be obvious. Certainly we can sort out those elements of the structure of communities and the structure of the state that people need to know about. It should not be too difficult for your group to see not what people are concerned with at the moment, but those things that will be of concern in the very near future. Most important, I hope none of us expect that citizens will articulate the problems of communities and the state well enough to ask us for what they need. We must make the offer. In my state it is quite simple to make a list: (1) school development to include school redistricting, trade schools, state university and junior college systems; (2) hospital and medical facilities, development and placement; (3) state and local taxes; (4) street, highway and road development; (5) county and local government reform and restructuring; (6) national issues to include farm policy; (7) all of those things related to job opportunties and the development of a semi-balanced economy at the area level and (8) etc.

How are we going to do the job? If we are going to do it, we are going to have to exercise the degree of precision that is now exercised, for example, in growing irrigated corn. Think of the range of science and technical expertise applied to irrigated corn of the Platte Valley of Nebraska. Think of the precision with which the various technological components and management decisions are applied: The proper time of planting—large machines to do it all within days; carefully selected variety; precision amounts of fertilizer at the correct soil depth and seasonal timing; carefully researched row spacing and within row spacing to get the optimum plant population; herbicides and cultivation control of weeds and soil conditions and harvesting at the precise moisture content levels that can be handled by modern drying equipment. Unless we are willing and able to put together a comparable precision package of materials and teaching methods in our subject matter area, we will look like the one-gallused-run-down-at-the-heel farmer who still plants open-pollinated corn with a team of mules.

If we are going to do the job, we must adapt the latest findings of educational psychologists to our situation and the subject matter. We must approach the subject matter with an interdisciplinary team. We must choose with utmost caution the type of setting in which we teach and carefully select our students. For some topics we will need to reach nearly everyone. For other topics it will be sufficient to reach a much smaller number. For some topics the multi-county or area meeting will be correct. Other topics will demand two meetings per county for the entire state in order to reach enough people with enough material. In some cases we will need radio, TV, three-day workshops and annual follow-up programs. In others a one-shot bulletin may be sufficient. Thus, we must begin to decide curriculum content and method of teaching for adults. Our piecemeal, supposedly grass roots demand, approach has not measured up. We must develop subject matter content as an interrelated total entity. Then we must develop materials strategy for motivation, teaching method, number and characteristics of clientele, class area base (one county, two counties, certain groupings and the like), timing and duration, follow-up activities and evaluation or examination of clientele.

THE CORE CURRICULUM OF COMMUNITY DEVELOPMENT AND ITS INPUT REQUIREMENTS [1]

(By Bert M. Evans, Extension Economist, University of Nebraska, Lincoln, Nebr.)

Evans criticizes current community development research and adult education as fragmentary and capricous. He provides some specification and elaboration of the common community development problems throughout the midwest. The substance of education for community leaders, he asserts, should and would be similar throughout the midwest if the content were truly derived from the real development problems facing midwest community leaders. He points out the necessity of interdependence of research and extension in generating and delivering relevant subject matter for community development.

Similiar Community Problems

The problems that citizens face in community development are very similar from state to state and also differ relatively little among communities within the state. Extension education programs which all hope to assist communities to develop, are on the other hand widely different among states. There are many reasons for their differences such as staff abilities, administrative attitude, historical precedent and differences in the individual interests of which ever researcher or specialist is providing leadership. However, extension education programs do not differ because of variations in community education need. The development problems are very similar—community to community. Only small variations in priorty of concern exist. These are relatively unimportant because they imply only differences in the sequence in which the curriculum should be taught and do not call for alteration of the total content of the curriclum. Extension education programs differ among states largely because of capricious differences in material readily available to extend. There is a lack of cohesive programs tying research and extension together for adult education needs for community development. If all midwest states carefully oriented a portion of university research and education to the real needs of community development they would all have a similar program.

There are many similarities among highly independent universities, colleges and departments in their requirements for a college degree. The colleges and departments of the North Central and Great Plains states exhibit much parallelism of conviction as to the subject matter and course content needed for engineers, chemists and teachers. The reason is that the need for curriculum derives from the need of the client student to perform in life. The same parallelism among states would show if a multi-years community development curriclum for leaders were carefully prepared to meet the needs of communities in different and independent midwest states.

There are compelling reasons for the similarities among states in requirements for a community development curriculum. Our economic system is truly an integrated system. The same technology, the same social and economic system dominates all communities. All have the same history and education. There are not truly separate economic or social systems in different states. We are very closely tied together by such things as communications, culture, mobility and having a similar situation and similar community goals, we have the same community improvement problems. Political systems and power structures from state to state and community to community are actually quite similar. Thus, there are only superficial differences among the uncertainties and misunderstandings of leaders who would be the students of a core curriculum in community development.

It might seem that there would be fundamental differences between the problems of a relatively progressive county with a town over 10,000 with a growing population and a smaller rural county with no town over 5,000 and a declining population. Actually there are obvious differences but there still is a common core of almost identical problems, e.g. in the areas of school management, local government organization, tax revenue, adjustment of too small firms, and labor migration. The variations among communities in form of problems do not present insurmountable education difficulties. The community and individual choice problems are similar and the same analyisis of the problem and the same technical information about alternatives must be given for each situation. After all, our classroom students end up in a wide range of different situations and yet we expect them to absorb the same principles and are confident that the basic curriculum will be adequate for each student.

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[1] Paper delivered to NC–88, "Economic Development of Rural Areas," in Chicago May 5, 1969.

A more legitimate concern is variation among leaders in their background. Still the information that citizens need is similar irrespective of the level of understanding at which they begin. The greatest variation among individual leaders is on specific facts of each problem area. This variation is large and is between individuals in the same community and is actually a similar problem community to community. We are highly specialized in our interdependent society but the same specialization repeats in community after community. The level of initial understanding is based on the same observations, the same newspapers but is conditioned or filtered through different personalities and occupational orientations. Communities are similar also for physical or geographic reasons. Our climate differences among communities throughout the midwest plains vary only within rather narrow limits and differ little over several hundred miles compared to the variation in many nations of the world. Problem similarities and common educational needs of community development leaders are especially obvious outside the midwest's largest cities. We exclude the very large metropolitan areas with congestion, race and public transportation problems and confine ourselves in this discussion largely to the counties with towns under 50,000 in North Central and Great Plains states.

The core curriculum

The first requirement in the development of a "core curriculum" is to spell out a list of priority problems.

There may seem to be a large numbr of spcific community problems and consequently an almost unlimited variety of adult educational needs. Actually the task is not unsurmountable. But we must pick and choose, by some criterion which problem areas to research and extend. The criteria should be need or usefulness to community development. We should not choose solely on the basis of the desire of the extension worker or the researcher's interest. This might allow us to avoid the most important of community issues and problems in favor of the easier, more novel or less controversial topics.

Here is my list of priority problems (not necessarily ordered according to their importance):

1. Local government—County-city-school relations, regional government, public spending emphasis, competence and efficiency of officials and governmental forms.
2. Public finance—property tax equalizations and relief, city funds, school bond issues, tax reform.
3. School organization and development—district consolidation, quality education, school buses, teacher salaries, teacher recruitment and turnover.
4. Transportation, roads, communication and power—Railroad closings, freight and passenger service, rural road closings, road tax fund use.
5. Hospital and health facilities—regional hospitals, absence of local doctors, high cost, care of elderly, increased quality.
6. Adjusting community and area economic structure and expanding area economic base and the employment opportunities—consolidation of firms, capital for labor substitution, industrialization.
7. Farm problems, programs and policy—production control, price support, exports, poverty in agriculture, large farms.

Interrelatedness—Problem to problem

In adult education the above 7 courses would overlap and interlock. Principles and alternatives cannot and should not be arbitrarily separated into one or the other district subject matter areas. Students of extension do not always "take the prerequisites," nor remember so repeating is needed. The community leader needs the whole curriculum however because to understand and function in an area such as school district reorganization he needs to understand the requirements of increased quality of education, and also, have a grasp of local public finance, and state and federal assistance. His competence in school district planning will continue to increase as he studies local government, road and communications planning, county zoning and the changing economic structure of the area and the possibilities of expansion of area economic base and total area employment. Thus, although the focus might be on improving the education of rural youth by school district reorganization, there would be some presentation on curriculum development taxes, competing public service needs, and the local economy. These related subjects just touched on in one course would "advertise" the next courses in the curriculum or reinforce past learning. Subject matter for citizen classes oriented to action must be much more complete and integrated than is the case in the classroom.

In the development of subject matter material for citizen classes, it is important to remember that citizens always have some information and understanding and usually sufficient to have an opinion of some kind and even enough to act on if a decision is forced. Citizens fail to act or decide well because of uncertainties, misunderstandings and the interdependence of decisionmaking in community development situations. The interdependence of decisions is a special problem for community affairs. For example, a local merchant may want to upgrade his retail facility. He can quite easily appraise the need for improvement and perhaps also estimate return on such investment if 1) nothing changed or 2) if everyone else upgraded also. He cannot act, however, because he is very uncertain of the factors which affect his decision. His new building will suffer immediate depreciation in the event a supplementary store closes or a competing store comes in. If other main street businesses help attract customers by upgrading at the same time, he will be highly successful. Thus, his individual decision is foreclosed by the lack of decision on the part of others. Thus, a curriculum giving common knowledge can bring about a pattern of decisions that reinforce each other and bring development.

Critical mass

How *much* does any one leader or citizen need to know about one subject in order to successfully play his role? If too little is taught no action takes place at all. How many people need to know more about a subject? If too few know the knowledge will be diluted, wither and be forgotten. Should Extension hold a workshop with lecturing and discussion for one day? three days? or 10 days? The "critical mass" is reached when the students become relatively self-sufficient in extending his own and spreading to others the understandings. We must give enough so that a leader's learning process and that of the community "takes off" and they become able to adequately consume and utilize new information and ideas from a variety of sources. How much does it take on one subject to bring a community to that point? In the case of a major school organization an "initial" or "base effort" educational project of 2 or 3 days must be taught and discussed by at least ½ of 1% of the population. Actually extension educators can determine "critical mass" of information and audience only after researchers and educators have begun to analyze the problem and specify the body of information required for "the course."

"Critical mass" of material and audience for economic development is different and larger than the "critical mass" for fertilizer, seeding rates or feeding practices adoption. Community development problems are of a public nature and must be decided jointly. Community development problems are controversial and each decision may benefit some citizens and harm others. A rather large amount of understanding must be developed rather widely at the outset to forestall destructive reaction from those few who may be harmed. Vocal criticism from a few influencials can reverse the direction of the community decisionmaking process if too little and too few are educated. "Critical mass" should always involve most of the relatively few leaders with much information and many more citizens with less detailed courses and less depth of understanding. Voting on a school bond issue or other public choices cannot cumulate or slowly add up over a period of years to get a majority as is the case in adoption of a new fertilizer by more farmers each year. Patterns of decisions such as migration and investment can build up over time.

Course content

The subject matter content of a course in community development for leaders would be made up of 1) introductory material, usually historical and theoretical to place the situation and problem areas in sufficient perspective. 2) Description of current local conditions, description of local organizations and institutions and comparisons of conditions among nations, states or areas. 3) Identification of alternatives, description of each, and 4) discussion of this problem in realtion to other problems, other expenditures and community goals. 5) Evaluate community action alternatives for this topic in context of the political processes in our society.

Some text book material is always necessary. Principles and theory are required. Description and statistical material must be general to give perspective but also must be specific to describe the state and each local community situation. Community development requires a great effort to blend together the practical and the theoretical, the general and the specific, the facts and the preferences. Reading assignments and lecture-discussion topics are the likely techniques with leaders. Newspapers, radio and T.V. are best for citizens. The lectures within a course need to connect various aspects of the problems and pieces of information. All information must be more direct and concrete than is the case with undergraduate classroom lectures. There must be opportunity for discussion and even attack of the facts and principles presented. The course content will not become active and influential without argument. The type of understandings and opinions that bring application, adoption are formed through public debate and critical appraisal of new information and its usefulness in the community's situation.

The class

In classroom teaching there is little difficulty in defining the audience. Who needs to know in community development is not so obvious. The appropriate audience differs somewhat from subject to subject, but some of the leadership group is common to all problems. In school organization all parents and adults need some information and understanding, but (1) School board members; (2) County officials; (3) Farm and business leaders and (4) big property owners need special attention.

The subject matter needed, the new research needed, the delivery system and the audience are all interdependent and must be simultaneously chosen. All derive or are dependent on the topic or course within the curriculum to be presented.

Subject matter

In attempting to discuss needed research we must have the outline, the total material required by leaders to make decisions and then separate the known and the unknown. A select committee or task force on a multi-state basis consisting of extension and research probably need to begin by making an outline of the issues. This initial step should be taken before beginning to gather audience or begin research. The task force would need to plan in considerable detail the education in all topic areas as a preliminary to requesting specific studies or subject matter. Through discussion a task force could select text books and complete research to be used with only minor adaptation. The information gaps and the priorities for research would emerge from such program planning. For example, I think good information evaluating the impact of local school taxes upon economic growth and income level is very crucial but missing. This gap probably forestalls rational decisionmaking about school reorganization in Nebraska. Without information on the relative burden of taxes all other information on schools and taxes is noneffective. Equitable and sufficient local tax systems cannot be designed without incidence estimates. Equity in taxation at the local level is an important goal and school reorganization cannot proceed on a rational basis unless financing is judged to be equitable.

Summary

There would be two major benefits to developing a core curriculum, a cohesive research and a delivery system for community development. (1) The research director would be able to use his resources more effectively, and a scientist would gain the satisfaction of seeing his work pay off by seeing it used to help communities solve their problems. (2) Extension could develop a program whose resource requirements could be clearly justified and administratives could better understand and argue for their requests for staff and financing.

It is obvious there is need, logic and effectiveness in: 1) a core curriculum, 2) cohesive research—extension planning, and 3) division of labor through several states cooperating in community development.

C. C. KIMBALL COMPANY,
Lincoln, Nebr., September 20, 1971.

Re: Economic development of smaller communities in the Middle West up to and including cities of 300,000.

ROBERT M. DEAVER, Ph. D.,
University of Nebraska at Omaha,
Downtown Station, Omaha, Nebr.

DEAR MR. DEAVER: There is not a standard formula for success of economic development in smaller communities in Nebraska or other Middle West cities, but they do need this development desperately.

I would suggest that through existing agencies, we should have all in-house talent to tackle these problems with a little guidance from learned industrial or commercial oriented brokers. That is the first phase. This problem should be attacked socially, physically, and politically.

Politically, both Democrats and Republicans should agree to some formula whereby government contracts to be granted give preference to smaller communities if the areas considered are of equal abilities and productive means.

Example: Defense contracts, urban renewal contracts, and suppliers contracts for which smaller communities have bid equally well with their larger city counterparts should be given preferential treatment. All subdivisions such as regional, state, county, etc. should also follow this formula wherever federal money is used.

The social amenities of larger cities are not so great as they used to be. Pollution, crime, and some of the other involvements that are not desirable may encourage a man to raise his family in smaller communities in safety. Cities were originally found for the protection of people from wayward bands of robbers; it seems that history has reversed itself. Cities also served as market places, which I am sure they will continue to do. This could be a determining factor in the relocation of large portions of our population to areas where they will have equal opportunities at reasonable incomes. This too would be a tremendous help in keeping the slums in the larger communities from becoming an almost impossible situation.

I would suggest that cities be classified into cities of 3,000; 5,000; 25,000; 50,000 and treated in an orderly manner. The amenities of social life in smaller communities is somewhat limited. I would suggest that through the help and influence of existing agencies these smaller communities be encouraged to expand socially.

The factor of economic plight can be satisfied with new jobs. In most areas in Nebraska there is an ample water supply and we have high caliber people because of their environment. They basically produce well when given the opportunity. There is a brain drain. Many places where capable people are needed seem to be empty because they leave for better opportunities on either coast. You can not change the flow until you give them equal opportunity in their place of origin.

Developments such as Devil's Nest within reasonable driving distance for anyone in northeast Nebraska add much to our pleasure. Nebraska has ample lakes and streams and a tremendous outdoor activity. We have the water supply, low land costs, and the people. I would suggest we further expand existing industries in the state that seem to be succeeding. Also all agricultural oriented industries should be encouraged. This can be done.

Example A: Cattle feeders require tremendous amounts of capital. There is a definite need for better cattle feeding lots. The local banks are taxed to their maximum. These operations should expand and we should allow them a great expansion, but we also should guard against their expansion ruining the country with improper drainage or other practices which create problems.

Example B: Industries such as machine tool shops should be given preferential treatment. They should be allowed to supply government orders. I have several examples that I could point out in our area, some of which I have been personally involved. Such small companies that have the ability to expand should be given through existing agencies all the help at their disposal within the law. All talents should be coordinated through these agencies.

Nebraska has several misplaced improvements such as trucking terminals, mill-type buildings and various manufacturing sites without the ability to find new uses at local levels. The local Chamber of Commerce has done a fine job with the tools they have at hand, and the real estate brokers also with the tools they have to offer have done a commendable job; but the proper abilities are not available in this market. It seems that if the scarcity of industry in this area has made it impossible for the person to exist in the middle west. For this reason many plants are built where they have the most effective Chamber of Commerce and not where they should be. These misplaced improvements after a while die and the replacement industry are hard to find because of their previous experiences.

There is a systematic means of computerizing all existing warehouses, communities, facilities, people, and resources but no practical method that I have seen in effect of exposing these figures and pictures to those that essentially need them. It does not take the bizarre approach, but it does take an educational approach to see that we need practical involvement in this field of placing industry.

I could go to great lengths and expand on this subject. With proper guidance perhaps some of these could be used immediately rather than ten years from now. The impact of good jobs in small communities would retain this ability in the Middle West to grow. Without it, the exodus will endanger the Middle West and the U.S. government.

I appreciate our short conversation with regards to the economic development, Mr. Deaver, and I would be very happy to expand with you on this subject at any time. Unfortanately, in the real estate field, it is important that we be near our phone, therefore I would appreciate a chance to meet wth you here in Lincoln.

Sincerely,

GEORGE A. CHRISTY, *Broker*.

STATEMENT OF HAROLD P. SUTTON, McCOOK, NEBR.

Mr. Chairman and Members of the Committee: Your presence here and the tour you are making of this Rural Area which is comparable to other areas with similar pursuits in agriculture and livestock production evidences the concern you and the Congress of the United States have in the economy affecting this production—producer and consumer alike.

For the economy and the good of all, it seems to me we must stop the growth of our cities and over populated areas; we must find better living and working conditions where the American family may live and be reared in an environment of security and well being in the tradition of the Free Enterprise System with the dedication that every able bodied individual is expected to work rather than accept a dole in order to live.

It has been said "The farm, the rural America, is the backbone of the United States of America." Our economy demands that we the people must see the necessity of rural development, not only for the interests of agriculture and stock raising, but because our urban areas must have the food and fiber produced on

The small business and the small farmer cannot pay the wage scales as set up by the Federal Government on the basis of prices they now receive for the products of agriculture. This is driving out the small business and merchant and in some instances, driving the farmer-stockman off the farm to further add to the increase of great Urban Areas. There is no logic in our economy that favors any segment of our population. Somehow we must make it more favorable for all. The small family business must be perpetuated for the good of all. Our economists tell us that to support one irrigated farm unit, the services of five other family units are required. The mechanic, the retailer of food and fiber, the manufacturer, the salesman and the financing.

Areas such as this would not be adaptable for a great steel or automobile industry but could support those industries that compliment agriculture and stock raising. The western half of Nebraska, and in particular, this southwest section, is specially adapted to the raising of sugar beets. The soil and sun shine produce big tonnage and high sugar content. The sugar beet is necessary in the rotation of irrigated crops. A sugar beet factory can well be supported at a location in the Republican Valley watershed. This type industry would greatly enhance the rural economy and all segments of the economy—the families of the farmers, stockmen and retail suppliers—keeping the family at home in the rural setting in the fresh, clear sun shine and air of Nebraska. Here in the center of the Great Lakes of Nebraska is a proper place to live and rear a family in the [illegible] American tradition, and the economy capable of supporting a much larger population should be effected to do so.

There are over 150,000 acres of irrigated land in this area of Nebraska and when the Frenchman-Cambridge Kansas River District is completed there will be more than 225,000 acres of land under pump and stream irrigation. On October 1, 1970, there were 254 registered wells in Red Willow County and over 35,000 registered wells in the state of Nebraska, which indicates a substantial ground water supply.

The resources at our command should be utilized to the fullest extent.

CHADRON, NEBR., *August 30, 1971.*

Senator CARL CURTIS,
Minden, Nebr.

DEAR SENATOR CURTIS: Thanks for the time you gave me at Fort Robinson last Sunday evening. I hope you had an enjoyable time.

I am enclosing a report our agency made up for the TAA in Lincoln, who in turn are going to present the composite reports to your committee in Lincoln. I am also enclosing my personal report to our committee which is a little more in detail and farmer oriented than our comprehensive report.

I hope these are of some value to you. I think the statistics on income per square mile tell a very interesting story.

Very truly yours,

JOHN TRUAX.

(The attachments are as follows:)

A REPORT OF PROBLEMS HINDERING RURAL DEVELOPMENT IN NORTHWEST NEBRASKA AND SOME PROPOSED SOLUTIONS

(Prepared by the Northwest Nebraska Community Action Council)

Almost everyone who lives in a rural community is aware that there are many problems which stand in the way of economic development in the small cities and towns scattered sparsely throughout a region. The people of Northwest Nebraska are no different. The problems that can be named which contribute to the lack of development in this area are voluminous. The solutions to these problems are something which seem obscure to the "concerned citizens" and of little or no importance to the politicians. However to we people in Rural Nebraska where the 'out migration' is as high as 14.5 percent, they are of tantamount importance.

In order to make this report as feasible as possible we have limited our discussion of problems and proposed solutions to only a very few which we consider "major" and can only hope that they will be considered in future legislative decisions.

Problems:

1. None of the existing laws designed to stimulate the economy are really adaptable to a rural area. Too many "canned" programs are handed down from Washington. These should be locally planned.
2. Some standard other than population should be used as a basis for determining eligibility for certain federal grants or loans.
3. Too many restrictions concerning the crossing of state and county lines and therefore prohibiting a cooperative effort aimed at solving mutual problems.
4. Undeveloped recreation potential.
5. Lack of transportation systems for people and excessive freight charges for goods.
6. Rigid guidelines of B.I.A. prevent many of the Indian population from getting any type of assistance off the reservations.
7. Lack of expert advice and knowledge to incorporate many kinds of development in the rural areas.
8. Not enough loaning agencies to provide capital needed for agriculture, business, and related industries.

Proposed Solutions:

1. Lower level government designed programs to aid in rural development. In-put from area residents and local government officials in planning programs for their area.
2. Use as a basis for determining eligibility something such as income per square mile in an area rather than just population. For example Douglas County (Omaha) has an income per square mile of $4,135,700 while Arthur County has only $2,246. People create income. Legislation which would give people an incentive to stay in or move into the rural areas such as a lower tax base or lower interest rates would also benefit the small towns.
3. Approach rural problems with an area concept in mind regardless of how many counties or state lines are involved. Most still have problems in common

and could be dealt with more effectively if they could pool their ideas and resources.

4. Allocation of federal monies to expand the already existing State and National parks and other recreation areas to accommodate a larger number of people. This would help to alleviate the extremely overcrowded tourist attractions in other parts of the country. Federal loans or subsidies to private owners of recreational facilities in order to expand them would also create more and better tourist accommodations.

5. Federal loan to incorporate a workable transportation system in the area. The system could be self supporting and still charge minimal fees for usage. This would also provide additional employment opportunity in the area.

6. Group Health Insurance plan for members of Indian tribe so they can receive medical care or hospitalization in the community in which they live rather than having to go to the reservation. Legislation which would provide assistance to all Indians instead of just those who are on the reservations.

7. De-centralize the federal government. Locate the U.S. department heads in a geographic area which is directly related to its field of concern and control. This would locate individuals with the expertise so greatly needed in the rural areas closer to the problems and thus make the solutions to them closer at hand.

8. Consolidation of assets from area banks to provide needed development capital.

1970 BUREAU OF THE CENSUS.—NEBRASKA POPULATION TRENDS, 1920-70

	1920	1970
Rural (total)	891, 079	570, 895
Communities of 1,000 to 2,500 (78-75)	116, 304	107, 730
Communities of less than 1,000 (404-414)	159, 264	126, 755
Other rural areas	615, 511	336, 410
Urban (55-102)	405, 293	912, 598

1970

Sioux County:
  Area 1,320,320 A.
  Population 2,034 —21 1970.
  Quarter pay period
  Taxable payroll 61,000.
  Number of units 1-3-16
  By empl size 4-7 3 =54 total.
1963 to 1967 retail trade —14.3 percent.
1960 to 1969 number of forms —18.2 percent.
Sheridan County:
  Area 1,578,240.
  Population 7,285 —19½ percent.
  Quarter pay period 850.000.
  Taxable payroll 1-3-133.
  Number of units 4-7-36 9-19-27 969.
  By empl size 20-49-5.
1963 to 1967 retail trade +3.2 percent.
1960 to 1969 number of forms —28 percent.
1940 to 19 9 population —8.3 percent. 1960 to 1969 —14.6 percent.
Dawes County:
  Area 888,960 A.
  Population 9,761 +2.4.
  Quarter pay period
  Taxable payroll 1,132,000.
  Number of units 1- 3 133
  4- 7 52
  By empl size 8- 19 32
  20-4-9 9 1,424.
1963 to 1967 retail trade —10.2 percent.
1960 to 1969 number of forms —16.4 percent.
1940 to 1960 population 5.8 percent. 1960 to 1969 —0.5 percent.
Box Butte County:
  Area 682.240 A.
  Population 10,094 —13.6 percent.
  Quarter pay period
  Taxable payroll 1,495,000.
  Number of units 1- 3-164
  4- 7- 63
  By empl size 8-19- 35
  20-49- 16 1580.
1963 to 1967 retail trade +4.4 percent.
1960 to 1969 number of forms —10.8 percent.
1940 to 1960 population —[illegible] percent. 1960 to 1969 —5.1 percent.
Out migration 1960 to 1968:
  Nebraska as a whole —3.0 percent.
  Panhandle —14.5 percent.

UNIVERSITY OF NEBRASKA, BUREAU OF BUSINESS RESEARCH

County	Per capita personal income 1968	1970 population	Total income	People per square mile	Land area (square miles)	Income per square mile
Adams	$3, 365	30, 553	$102, 810, 845	54. 4	562	$181, 966. 00
Antelope	2, 489	9, 047	20, 517, 983	10. 6	853	26, 398. 00
Arthur	2, 610	606	1, 581, 660	. 9	704	2, 246. 00
Banner	3, 820	1, 034	3, 949, 880	1. 4	738	5, 348. 00
Blaine	3, 188	847	2, 706, 236	1. 2	710	3, 825. 60
Boone	2, 357	8, 190	19, 303, 830	12. 0	683	28, 284. 00
Box Butte	3, 213	10, 094	32, 432, 020	9. 5	1, 065	30, 452. 00
Boyd	1, 806	3, 752	6, 776, 112	7. 0	538	12, 642. 00
Brown	2, 248	4, 021	7, 039, 208	3. 3	1, 216	7, 433. 00
Buffalo	2, 629	31, 222	82, 082, 638	32. 9	949	86, 494. 00
Burt	2, 654	9, 247	24, 541, 538	19. 1	483	50, 691. 00
Butler	2, 583	9, 461	24, 437, 763	16. 3	582	42, 103. 00
Cass	2, 752	18, 076	49, 745, 152	32. 6	555	152, 736. 00
Cedar	1, 459	12, 192	17, 768, 128	16. 4	742	23, 927. 00
Chase	3, 471	4, 129	14, 331, 759	4. 6	890	15, 466. 00
Cherry	2, 956	6, 846	20, 236, 776	1. 1	5, 966	3, 342. 00
Cheyenne	3, 311	10, 778	35, 685, 958	9. 1	1, 186	30, 130. 00
Clay	3, 111	8, 266	25, 715, 526	14. 5	570	45, 109. 00
Colfax	2, 665	9, 498	25, 312, 170	23. 4	406	62, 361. 00
Cuming	1, 696	12, 034	20, 409, 664	21. 1	571	35, 785. 00
Custer	2, 707	14, 092	38, 147, 044	5. 5	2, 558	14, 888. 00
Dakota	(1)	....	....	51. 5	255	183, 340. 00
Dawes	2, 506	9, 693	24, 240, 538	7. 0	1, 386	17, 489. 00
Dawson	3, 700	19, 467	72, 027, 900	20. 0	975	74, 000. 00
Deuel	4, 063	2, 717	11, 039, 171	6. 2	426	25, 190. 00
Dixon	1, 955	7, 453	14, 570, 615	15. 7	475	30, 693. 00
Dodge	3, 101	34, 782	107, 858, 982	65. 9	528	204, 356. 00
Douglas	3, 560	389, 455	1, 386, 459, 800	1, 162. 6	335	4, 135, 700. 00
Dundy	2, 688	2, 926	7, 865, 088	3. 2	921	8, 539. 00
Fillmore	3, 118	8, 137	25, 371, 166	14. 1	577	43, 964. 00
Franklin	3, 166	4, 566	14, 455, 956	7. 9	578	25, 011. 00
Frontier	3, 038	3, 982	12, 097, 316	4. 1	962	12, 456. 00
Furnas	2, 550	6, 897	17, 587, 350	9. 6	722	24, 484. 00
Gage	2, 762	25, 719	71, 035, 878	30. 0	858	82, 860. 00
Garden	3, 959	2, 929	11, 595, 911	1. 7	1, 678	6, 910. 00
Garfield	2, 662	2, 411	6, 418, 082	4. 2	569	11, 180. 00
Gosper	3, 692	2, 178	8, 041, 176	4. 7	464	17, 352. 00
Grant	5, 149	1, 019	5 246. 831	1. 3	764	6. 857. 00
Greeley	2, 105	4, 000	8, 420, 000	7. 0	570	17, 352. 00
Hall	3, 781	42, 851	162, 019, 631	79. 8	537	301, 723. 00
Hamilton	2, 903	8, 867	25, 740, 901	16. 5	537.	47, 899. 00
Harlan	2, 819	4, 357	12, 282, 383	7. 8	556	21, 988. 00
Hayes	2, 197	1, 530	3, 361, 415	2. 2	711	4, 727. 00
Hitchcock	3, 604	4, 051	14, 599, 804	5. 7	712	20, 543. 00
Holt	2, 138	12, 933	27, 650, 754	5. 4	2, 405	11, 545. 00
Hooker	3, 012	939	2, 828, 268	1. 3	722	3, 916. 00
Howard	2, 333	6, 807	15, 880, 731	12. 1	564	28, 229. 00
Jefferson	3, 249	10, 436	33, 906, 564	18. 1	577	58, 807. 00
Johnson	2, 676	5, 743	15, 368, 268	15. 2	317	40, 675. 00
Kearney	2, 842	6, 707	19, 061, 294	13. 1	512	37, 230. 00
Keith	3, 672	8, 487	31, 164, 264	8. 2	1, 032	30, 110. 00
Keya Paha	2, 252	1, 340	3, 017, 680	1. 7	768	3, 828. 00
Kimball	4, 317	6, 009	25, 940, 853	6. 3	953	27, 197. 00
Knox	1, 974	11, 723	23, 141, 202	10. 6	1, 107	20, 904. 00
Lancaster	3, 745	167, 972	629, 055, 140	198. 8	845	744, 506. 00
Lincoln	2, 907	29, 538	85, 866, 966	11. 7	2, 522	34, 012. 00
Logan	2, 683	991	2, 658, 853	1. 7	570	4, 561. 00
Loup	2, 907	854	2, 482, 578	1. 5	574	4, 360. 00
Madison	3, 022	27, 402	82, 808, 844	47. 9	572	144, 754. 00
McPherson	2, 408	8, 863	2, 078, 104	. 7	856	1, 686. 00
Merrick	2, 597	8, 751	22, 726, 347	18. 2	480	47, 265. 00
Morrill	3, 454	5, 813	20, 078, 102	4. 1	1, 402	14, 161. 00
Nance	2, 044	5, 142	10, 510, 248	11. 7	439	23, 915. 00
Nemaha	3, 147	8, 976	28, 247, 472	22. 4	400	70, 493. 00
Nuckolls	2. 643	7, 404	19, 568, 772	12. 8	579	33, 830. 00
Otoe	2, 677	15, 576	41, 696, 952	25. 2	619	67, 460. 00
Pawnee	2, 438	4, 473	10, 905, 174	10. 3	433	25, 111. 00
Perkins	4, 044	3, 423	13, 842, 612	3. 9	885	15, 772. 00
Phelps	3, 186	9, 553	20, 435, 858	17. 6	544	56, 074. 00
Pierce	2, 050	8, 493	17, 410, 650	14. 8	573	30, 340. 00
Platte	3, 279	2, 650	86, 919, 732	30. 7	667	130, 314. 00
Polk	2, 917	6, 448	18, 867, 156	15. 0	432	43, 755. 00
Red Willow	3, 141	12, 191	38, 291, 931	17. 8	686	55, 910. 00
Richardson	2, 475	12, 277	30, 385, 575	22. 3	550	55, 193. 00
Rock	2, 195	2, 231	4, 897, 045	2. 2	1, 009	4, 829. 00
Saline	2, 610	12, 809	33, 431, 490	22. 3	575	58, 203. 00
Sarpy	3, 560	63, 696	226, 757, 760	266. 5	239	950, 000. 00
Saunders	2, 549	17, 018	43, 378, 882	22. 4	759	57, 098. 00
Scotts Bluff	3, 306	36, 432	120, 444, 192	50. 2	726	165, 961. 00
Seward	2, 304	14, 460	33, 315, 840	25. 3	571	58, 291. 00
Sheridan	2, 998	7, 285	21, 840, 430	3. 0	2, 462	8, 871. 00

UNIVERSITY OF NEBRASKA, BUREAU OF BUSINESS RESEARCH—Continued

County	Per capita personal income 1968	1970 population	Total income	People per square mile	Land area (square miles)	Income per square mile
Sherman	1,965	4,725	9,284,625	8.3	567	16,374.00
Sioux	2,530	2,034	5,146,020	1.0	2,063	2,494.00
Stanton	2,411	5,578	13,448,558	13.4	431	32,307.00
Thayer	3,467	7,779	26,969,793	13.5	577	46,805.00
Thomas	4,014	954	3,829,356	1.3	716	5,218.00
Thurston	2,403	6,942	16,681,626	17.9	388	43,014.00
Valley	2,473	5,783	14,301,359	10.2	569	25,225.00
Washington	2,850	13,310	37,933,500	34.5	386	98,325.00
Wayne	2,054	10,400	21,361,600	23.5	443	48,264.00
Webster	2,658	6,477	17,215,866	11.3	575	30,035.00
Wheeler	2,568	1,054	2,706,672	1.8	576	4,622.00
York	3,648	13,685	49,922,880	23.7	577	86,458.00
1968 Nebraska average	3,2[illegible]					
1968 national average	3,428					

[1] Not available (approximately $3,560).

Note: County data has not been made public for 1969 and 1970. 1969 Nebraska average, $3,642; 1969 U.S. average, $3,680; 1970 Nebraska average $3,700.

STATEMENT OF KEITH CARTER, EXECUTIVE VICE PRESIDENT, OMAHA CHAMBER OF COMMERCE, OMAHA, NEBR.

The Omaha Chamber of Commerce expresses its appreciation to this committee for accepting the responsbility of formulating a Rural Development Program for America. We thank you for this opportunity to express our opinion on this highly significant subject.

The Omaha Chamber of Commerce is very much in favor of an effective Rural Development Program. We feel that any program directly benefitting any part of Nebraska would also be of indirect value to all communities in the state, large or small. In other words, the strength of the whole is dependent upon the strength of all of the parts.

A strong and imaginative program in rural development would bring more economic opportunities and a higher quality of life to rural America, as well as to our metropolitan areas. In our state, rural Nebraska offers tranquility and generous living space. Generally pollution is not a problem.

Our rural areas, with financial aid, could become much more attractive to Americans and in turn relieve serious congestion in our larger cities. If a Rural Development Program was so designed, it would improve education, job opportunities, health care, housing, recreation and transportation facilities, and people would be more enthusiastic about living in non-urban areas.

Better roads would make it easier to commute longer distances to jobs. New and improved rural recreation resources would take undue strains off present urban facilities.

Proper rural development, accompanied by careful administration, could cause more even distribution of people as well as new industry throughout the rural as well as urban areas. This new balance would capitalize upon open space, clean air and water and all the other amenities characteristic of rural America. Development of new industry in rural areas would reduce overcrowdedness in the city and provide job opportunities for more people. The Omaha Chamber of Commerce would be most willing to work with government groups and those from the private enterprise sector who would be involved in the planning and implementation of a rural development program.

Again, we congratulate you for accepting the task ahead of you, and want you to know of our willingness to be of assistance.

STATEMENT OF DR. ROGER D. MASON, PRESIDENT, NEBRASKA STATE MEDICAL ASSOCIATION, MCCOOK, NEBR.

Mr. Chairman and members of the subcommittee: I am Roger D. Mason a physician in the private general practice of medicine here in McCook. In addition I am presently serving as president of the Nebraska State Medical

Association. I am very pleased for this opportunity to respond to your inquiry into rural America, its problems, and possible solutions to these problems.

There can be no doubt that Nebraska shares with the rest of the rural United States a need for an improved economic base. This should include not only an expansion of agriculture, but also diversification with location of appropriate other industry in America's more sparsely populated areas. However, my purpose in being here this evening is to stress the importance of community services in general and health needs in particular if we are to stem the tide of migration from rural to urban areas.

I am sure you will recognize the parallels between my comments on medical and health needs, and other areas such as education, transportation, communication, church facilities, and general commerce.

First, let me say that Nebraska is much like the rest of the United States in that the problems of health care delivery are quite variable in different sections. Providing for the care of the sick, injured or aged in eastern Nebraska, in relatively close proximity to Omaha or Lincoln, is quite different from providing that same service in the sandhills or here in Southwest Nebraska. Outstate Nebraska, that area outside metropolitan Omaha and Lincoln, is made up of about fifteen minor population centers each serving a relatively large surrounding agricultural territory. In eastern Nebraska we have two indian reservations presenting their unique problems and along the North Platte River through the Panhandle there is a concentration of transient Mexican-American population. Many of the service communities in Nebraska are close to bordering states—such as McCook, Scottsbluff, Hastings and Beatrice—which creates some problems in programs such as Medicaid.

While discussing Nebraska's problems, medical manpower and manpower distribution must be considered. In this regard, I would like to present a few figures which will illustrate my point, I think. On a state-wide basis in 1940, the physician population ratio was 1: 940 and in 1970 this ratio had dropped to 1:925. However, in the same thirty years, the area outside Omaha and Lincoln went from a ratio of 1:1149 to a physician-population ratio of 1:1405. What I'm saying is that state-wide we have done a good job in retaining physicians in Nebraska but the rural areas have lost ground.

In considering these figures I believe they should be tempered with consideration of improved medical facilities, better transportation, etc., which has increased the productivity of our physicians.

Nebraska medical manpower discussions in the past have usually come around to mention of the fact that thirteen of our ninety three counties have no physicians. It should also be indicated I believe, that nine of these thirteen counties have a 1970 census of 1,054 or less. With fairly adequate roads and transportation most of these areas are reasonably close in time to surrounding medical facilities.

Throughout rural Nebraska, we have have some difficulty in providing allied health services, notably in the fields of social workers, physical therapy, and neurology. At present, these services are available but primarily only with considerable expenditure for travel.

After mentioning some of the problems in health care in rural Nebraska, I would like to briefly mention some of the existing programs aimed at solution of these problems. In order to reduce the time involved in giving my oral remarks I have here some material prepared by the University of Nebraska College of Medicine and the Nebraska Regional Medical Program. I would like to ask that these reports be added as an appendix to my remarks.

To first mention some of the programs which we in Nebraska feel are of proven value, I would like to discuss the preceptorship portion of the University of Nebraska curriculum. This is a four week required exposure of senior medical students to rural practice. The student may select any of fifty practicing physicians in outstate Nebraska to spend this period of time with. We feel this program has been instrumental in locating younger physicians in rural Nebraska.

Rural Health Day is held once a year in Omaha as a cooperative effort between the University of Nebraska, Creighton University, The Academy of Family Practice, and the Nebraska State Medical Association. Every town in our state is invited to send representatives to discuss possible future location with the medical students. This program too has been effective in securing physicians for rural Nebraska. One important ancillary benefit has been that the students have educated the communities as to factors important in attracting todays young physician.

The new Action Agency program recently inaugurated as a consolidation of Vista and the Peace Corps is being promoted at the University of Nebraska College of Medicine. In our state, this is known as NOVA (Nebraska Opportunity for Volunteers in Action). The target date for these students to begin service is September 26, just 17 days from now.

There are two unique programs in Nebraska aimed at improving medical services in rural Nebraska which I would like to mention. Creighton University has recently begun teaching some of their medical students to fly. The purpose behind this is to increase the rural physicians access to surrounding medical centers for referral as well as post-graduate education.

In addition, and under the sponsorship of the Nebraska Regional Medical Program, a 12 foot by 60 foot mobile trailer unit is operational in Nebraska. This is a cancer screening unit aimed at the most common cancer sites. This unit is programmed to supplement the care of patients in areas of low medical manpower as well as the Indian reservations. It will also supplement service to the migrant worker population.

One additional program deserves mention since it is aimed at improving the quality of care as opposed to programs aimed at the quantity of health services. This is the Coronary Care Training Program, again under the sponsorship of the Nebraska Regional Medical Program. To date 806 nurses and 55 physicians have been trained in the newest techniques of caring for the patient with coronary occlusion.

Mr. Chairman, I can sum up my remarks by saying that the provisions of services and improvement of the socio-economic status of out-state Nebraska is a pre-requisite for preventing the loss of population in our rural communities. These problems are complex to identify as well as to solve.

Thank you for the opportunity to present this statement on behalf of the Nebraska State Medical Association and the people of Southwest Nebraska.

(The attachments to Dr. Mason's statement are as follows:)

SUMMARY REPORT, NEBRASKA REGIONAL MEDICAL PROGRAM

SUMMARY

The Regional Medical Program started in this Region in 1967 as the Nebraska South Dakota Regional Medical Program and was given a three-year planning grant. The Grantee for the program has been the Nebraska State Medical Association.

In January 1970, the Regional Medical Program became operational with three projects; the Coronary Care Training and Support Program, the Communications Facility Project, and the Mobile Cancer Detection Project.

On July 1, 1971, the Nebraska-South Dakota Regional Medical Program was divided into two programs, with each state becoming a separate Region. The main office for the Nebraska Regional Medical Program is located in Lincoln, Nebraska. A planning office is located at Creighton University School of Medicine and the University of Nebraska College of Medicine, both located in Omaha, Nebraska.

The Regional Advisory Group is the governing body of the Program, originally comprised of 70 members from the states of Nebraska and South Dakota. As of July 1, 1971, it is presently comprised of 34 members. Representation included practicing physicians, nurses, physical therapists, pharmacists, hospital and nursing home administration officials, members from the voluntary health organizations, Comprehensive Health Planning, and members of the lay public. The members of the Regional Advisory Group are geographically represented throughout the state of Nebraska. Close cooperation has been established with Comprehensive Health Planning, the State Department of Health, and other health related organizations. Examples of the cooperation between agencies such as Comprehensive Health Planning and the Regional Medical Program is the research project being developed by the Comprehensive Health Planning on health needs for the state of Nebraska. On the committees of the Comprehensive Health Research portion are members of the Regional Medical Program staff. As needs have been developed by either Comprehensive Health Planning or the Regional Medical Program, a cooperative effort has developed between the two agencies so that there is no duplication. The information is shared between the two. Additional cooperation is provided by Comprehensive Health Planning "A" Agency and Comprehensive Health Planning "B" Agency representation on the Nebraska Regional Advisory Group.

The Program since becoming operational has involved itself in three major projects and several feasibility studies, pilot projects and workshops.

The Coronary Care Training and Support originally located in six training institutions in the two states has given formal courses for physicians, nurses, and technicians. A total of 55 physicians have been trained in three and five-day workshops at various locations. There have been 402 nurses trained in 23 courses. In 9 courses, there have been 47 technicians trained. There have been 8 External Cardiopulmonary Resuscitation Courses given in cooperation with the Heart Association involving 251 medical personnel. These courses have been given in rural communities in Nebraska.

In August of 1969, a training system for Intensive Coronary Care was purchased by the Regional Medical Program and distributed throughout the states of Nebraska and South Dakota. A total of three training systems was purchased by the Program and at one time three additional systems were loaned to the Regional Medical Program by the company producing the materials. Using this material, a total of 806 registered nurses and licensed practical nurses have been trained throughout the state of Nebraska at a total of 16 locations. The program has been extremely well received by the participants with a very low attrition rate among the participants. We have case studies in the files showing that the training received in these courses have been responsible in physician opinion for the saving of patients' lives in small rural communities.

These training systems have been rotated in approximately three month sequences to these communities. Placement of the system will continue throughout the state either to new communities or as a repeat to communities who have previously used it.

The Communications Facility Project involves three aspects of continuing education. A media library service by which inservice training may be given in medical locations scattered throughout the states of Nebraska and South Dakota by utilizing filmstrips, films tapes and other media material available from the library located in Lincoln, Nebraska. A total of 3,100 requests have been received since the library service began. A consultation service for inservice directors of training in various small hospitals in the two states is also provided.

A second service of the Communications Facility Project is the Drug Information Service which has received a total of 1,660 drug information requests from the states of Nebraska, South Dakota, Kansas and Iowa since the beginning of the service on August 17, 1970. These requests have been received from physicians, nurses, pharmacists, dentists, veterinarians, and osteopaths. The service is primarily provided by drug information pharmacists backed up by clinical pharmacologists from the two medical schools in Omaha.

The Third service of the Communications Facility Project is a Tape Library Service. The main body of the tapes in this service are located at the University of Nebraska College of Medicine Library, using the facilities of the switchboard of the Regional Medical Program as calls are received from the states of Iowa, Kansas, South Dakota, and Nebraska. The tapes of approximately 5 minutes in length may be played immediately to the requester over the telephone lines giving the outstate physicians and nurses up-to-date medical information.

At the present time, a great deal of emphasis is being placed in the area of drug abuse throughout the state of Nebraska. The Regional Medical Program because of its involvement with drug information is providing a great deal of background information to communities in the state setting up drug abuse programs in particular with the Junior Chamber of Commerce who is attempting to establish a state-wide drug abuse program.

The Cancer Detection Project became operational in 1971. During the months of July and August, a total of 477 patients were screened with 73 suspects being found. These suspects have all been referred to their family physicians in that area. Inquiries have been received from physicians in small rural areas requesting the services of the Mobile Cancer Detection Unit. There requests are being reveiwed for future placement of the unit. This unit is staffed largely by medical personnel from the Creighton University School of Medicine.

In addition to these three projects, a number of workshops, seminars and telephone conferences have been presented in the two states. There have been 1,987 medical personnel participating in these programs. A programmed course in Electrocardiography is currently being offered to 352 nurses and 161 physicians through the mail from the central office in Lincoln.

Additional staff activity of the Regional Medical Program is currently being directed to the study of kidney disease and diabetes using Ad Hoc Committees of the Regional Medical Program.

INTRODUCTION

The Regional Medical Program started in 1967 with a planning grant for three years under the title of the Nebraska-South Dakota Regional Medical Program. The grantee for the program has been the Nebraska State Medical Association. In January 1970, the Regional Medical Program became operational with three projects: the Coronary Care Project, The Communications Facility Project, the Cancer Detection Project. On July 1, 1971, the two states divided their Regional Medical Program, so there is now a Nebraska Regional Medical Program and a South Dakota Regional Medical Program.

CORONARY CARE TRAINING (ROCOM)

Map I shows the sites where a ROCOM training system for Intensive Coronary Care has been carried on by the Regional Medical Program in the rural areas of Nebraska since August of 1969. Those sites circled in red show the location where the ROCOM training system was actually located. Those sites indicated by a black circle are the communities from which participants in the program came.

The ROCOM training sessions were well received within the community, as can be testified to by the low percentage of attrition from the beginning of the course to the end. In some cases, these courses lasted as much as two months. For example, in the community of McCook, Nebraska, the program started with 72 nurses and LPNs, and finished at the end of the two months with 71. The one person dropped out because of surgery. The highest per cent of attrition at any of the ROCOM training courses in Nebraska on tabulations presently made is 13 percent. This occurred during winter months when people had serious difficulty commuting the long distances.

A total of 806 participants have been involved in the ROCOM training utilizing this method of bringing coronary care education to the rural community. The following is a breakdown by community of the number of participants:

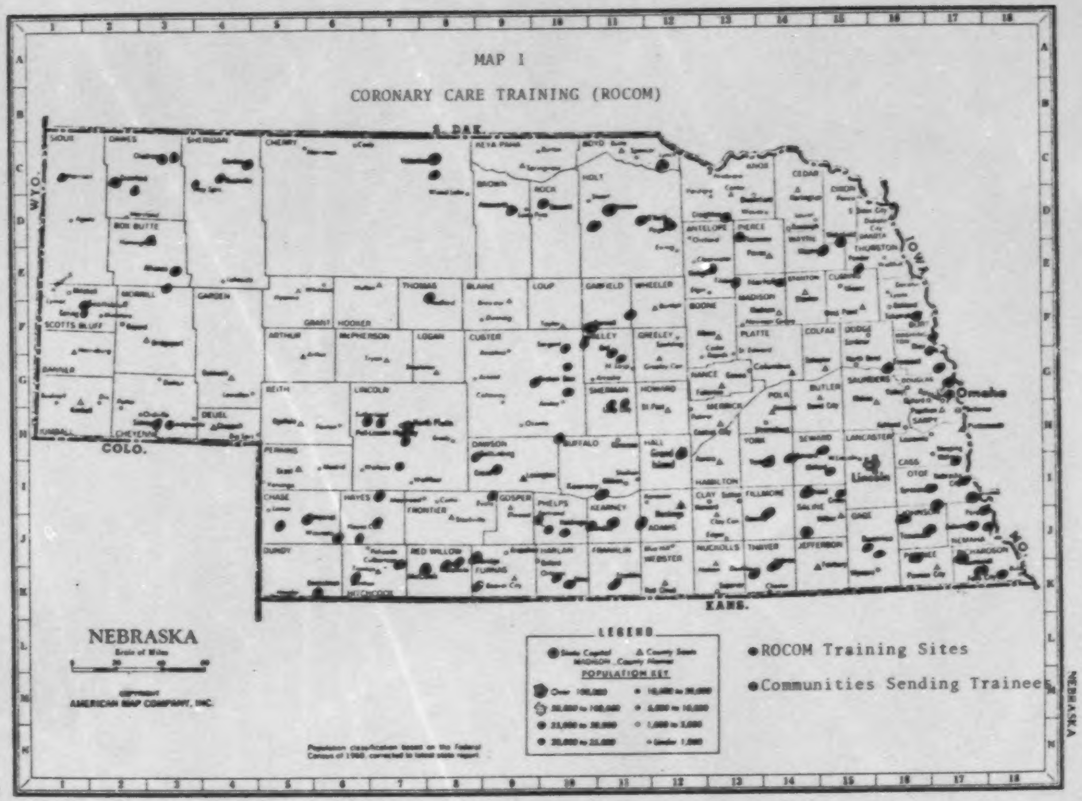
Blair	25
Atkinson	64
Burwell	51
Nebraska City	38
Chadron	22
Valentine	16
Kearney	56
Scottsbluff	69

McCook	74	
Beatrice	63	
Sidney	27	
Crawford	23	
North Platte	68	
Friend	50	
Norfolk	110	
Alliance	50	estimate
Total	806	

The ROCOM training systems at Friend, Norfolk and Alliance are currently in operation.

In addition to the locations shown in Nebraska, the ROCOM training system has been placed at 15 sites in the state of South Dakota, when this was a joint Nebraska-South Dakota Regional Medical Program. There were 419 participants involved in those 15 sites.

The Coronary Care Training and Support Program has trained a total of 402 nurses in 23 courses and 55 physicians in three and five-day workshops. There have been 8 External Cardiopulmonary Resuscitation Courses given in cooperation with the Heart Association involving 251 medical personnel. These courses have been given in rural communities in Nebraska.



MAP I

CORONARY CARE TRAINING (ROCOM)

●ROCOM Training Sites

●Communities Sending Trainees

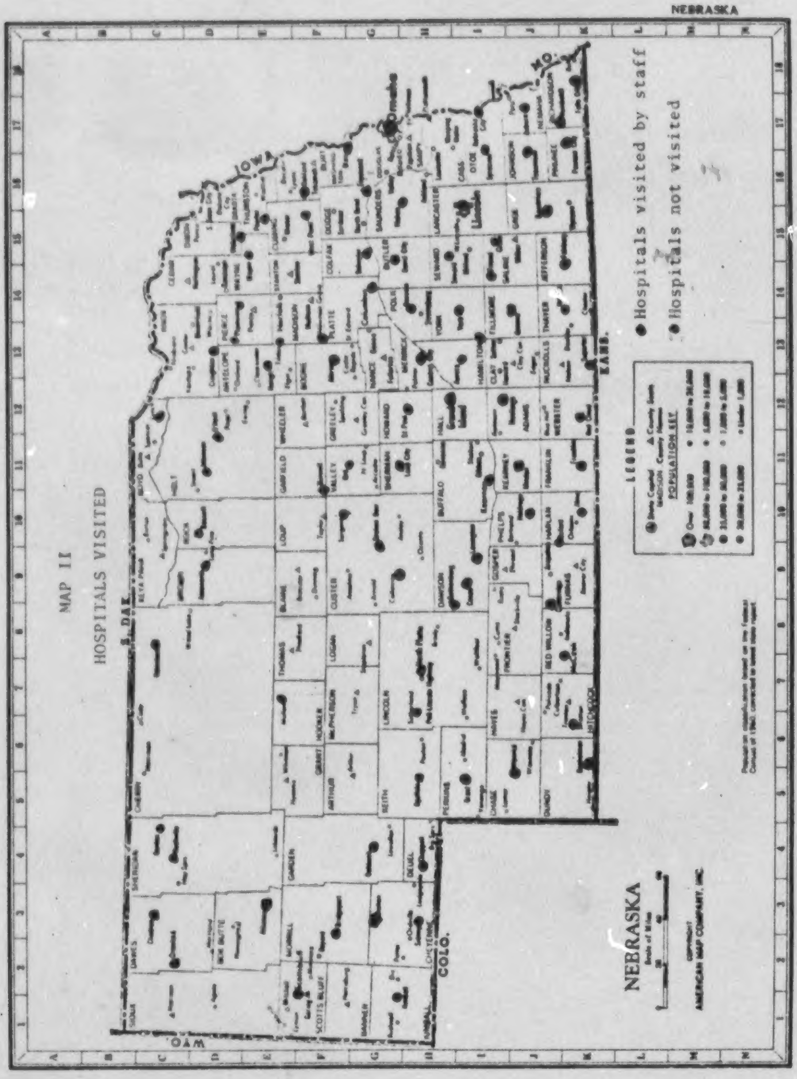
NEBRASKA
NEBRASKA
Scale of Miles
COPYRIGHT
AMERICAN MAP COMPANY, INC.
S. DAK.
WYO.
COLO.
KANS.
IOWA
MO.
Omaha
Lincoln
LEGEND
State Capital
County Seats
POPULATION KEY
Population classification based on the Federal Census of 1960, corrected to latest state report.
55

HOSPITALS VISITED

Map II shows the various locations of hospitals in the state of Nebraska. There are 13 counties in the state of Nebraska in which there is no hospital. Cities indicated by a red circle show the locations of hospitals that have been visited personnally by the Regional Medical Program staff. Those indicated by a black circle show the ones that have not yet been visited. These visits have attempted to help the staff of the small hospitals in Nebraska set up programs of inservice training, so they may do much of their own training. There are some extremely competent individual located throughout the communities in Nebraska and what they basically need is enabling support and back-up from some organization such as the Regional Medical Program to help them do their own training. Secondly, in operating in this manner, these communities receive the types of training that meet the needs they have and not those needs as dictated by some larger organization. For example, in Auburn, Nebraska, (Nemaha County) the staff has been of considerable assistance in organizing training programs in Coronary Care, both for nurse aides, LPNs and R.N.s. In Bassett, Nebraska, the needs were considerably different. A three-pronged program has been instituted in the hospital through the help of the Regional Medical Program: Nurse Training, Food Service, and Housekeeping. This effort to individualize services has been the general trend of the visitation by our staff.

MEDIA REQUESTS

Map III shows the communities that have used media in Nebraska. Media requests have been received from the inservice training directors of numerous hospitals in Nebraska and South Dakota. The media consists of overhead transparencies, film strips, records, 8 mm. films, and audio tapes. Since the conception of the media center, there have been a total of 3,100 requests for media from communities in Nebraska and South Dakota. Approximately 60 percent of current requests are coming from Nebraska; the other 40 per cent from South Dakota. This has been true for the past few months.



MAP II

HOSPITALS VISITED

NEBRASKA
S. DAK.
IOWA
MO.
KANS.
COLO.
WYO.
LEGEND
POPULATION KEY
● Hospitals visited by staff
● Hospitals not visited
NEBRASKA
Scale of Miles
COPYRIGHT AMERICAN MAP COMPANY, INC.
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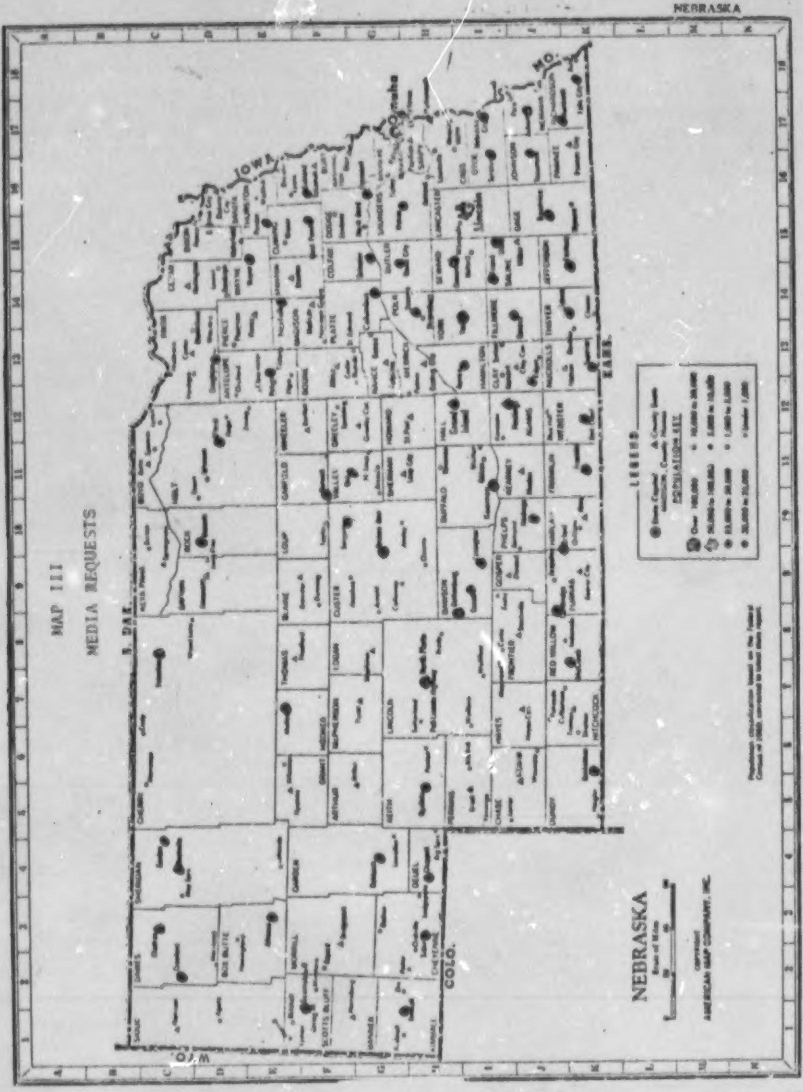
MAP III
MEDIA REQUESTS
NEBRASKA
S. DAK.
IOWA
MO.
KANS.
COLO.
WYO.
LEGEND
POPULATION KEY
NEBRASKA
COPYRIGHT AMERICAN MAP COMPANY, INC.
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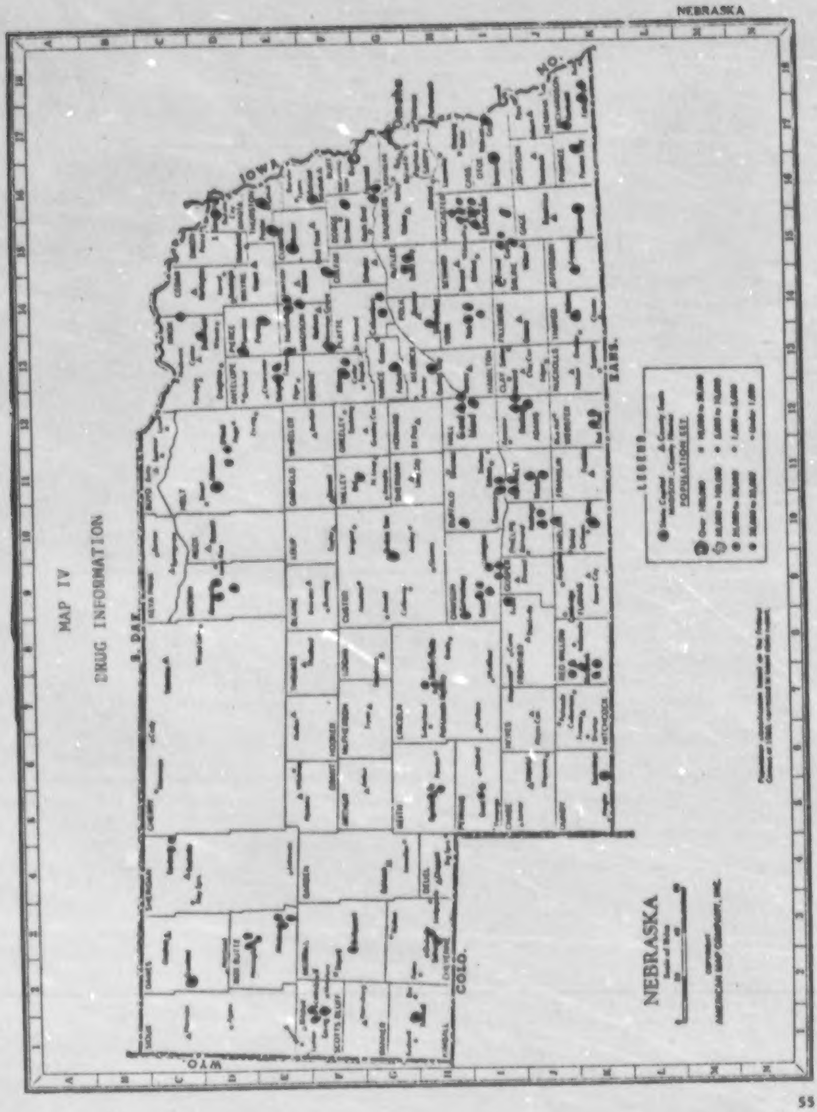
DRUG INFORMATION

Map IV shows areas throughout rural Nebraska receiving drug information from the Nebraska Regional Medical Program Drug Information Service. This service started basically with Nebraska and South Dakota and quickly spread to Iowa and Kansas, and affects the rural areas in all four states. The Drug Information Service utilized the resources of Nebraska and South Dakota in the following manner: There are six locations where the questions on drug information may be answered. The main office is located in Lincoln, Nebraska, and is staffed by a registered pharmacist 8 hours a day, 5 days a week. During the night and week-end hours, there are five subcenters that respond to the questions. These subcenters are located in the Pharmacy Department of Bryan Hospital, Lincoln, Nebraska; the University of Nebraska College of Medicine, Omaha, Nebraska; Mary Lanning Memorial Hospital, Hastings, Nebraska; St. John's McNamara Hospital, Rapid City, South Dakota; and McKennan Hospital in Sioux Falls, South Dakota. For example, if a physician in Grant, Nebraska, requests information on drugs in the evening hours that answer may well be answered by Rapid City, South Dakota. All he has to do is call the WATS line number given to him and the switchboard operator will connect him with the proper responding subcenter. He has no other further telephone connections to make to get the answer. It is felt that by this method a greater use of existing resources in the state is disseminated throughout the Region. At the present time, there have been 1,660 drug information requests since the Drug Information Service started on August 17, 1970. The percentages of these requests are broken down as follows:

55% of the calls from Nebraska
13% of the calls from South Dakota
8% of the calls from Kansas
23% of the calls from Iowa

In the state of Nebraska, 42 percent of the population reside in Lincoln and Omaha, with 37 percent of the drug information calls coming from those two cities. This shows that there is a greater proportional usage of the Drug Information Service in rural outstate Nebraska. The Drug Information Service is available to physicians, pharmacists, dentists, osteopaths, veterinarians and registered nurses in the states of Nebraska, South Dakota, Iowa and Kansas.


MAP IV
DRUG INFORMATION
NEBRASKA
IOWA
MO.
KANS.
COLO.
WYO.
S. DAK.
LEGEND
POPULATION KEY
AMERICAN MAP COMPANY, INC.

CANCER DEATHS

Map V shows the cancer deaths by county for 1970. The Cancer Detection Project was funded in early 1970. The construction of a mobile unit, the first of its' kind in the United States, and hiring of personnel was completed in early 1971.

The unit is 60 feet long and 12 feet wide. It contains a reception room where automated histories are taken, two rooms for proctosigmoidoscopy, two rooms for pelvic examinations, a dental room for oral cancer screening, and an x-ray section for performing bilateral mammography.

A physician mans the unit at all times and is assisted by a dentist, a medical social worker, a sociologist, two registered nurses, an x-ray technician and one or more physician volunteers.

Automated histories are programmed and stored in the computer. They are used primarily as an initial guide when examining specific areas in each particular patient. The history is directed primarily toward the major cancer target organs to be screened such as the rectum, sigmoid colon, uterine cervix, breast, skin, and oral cavity.

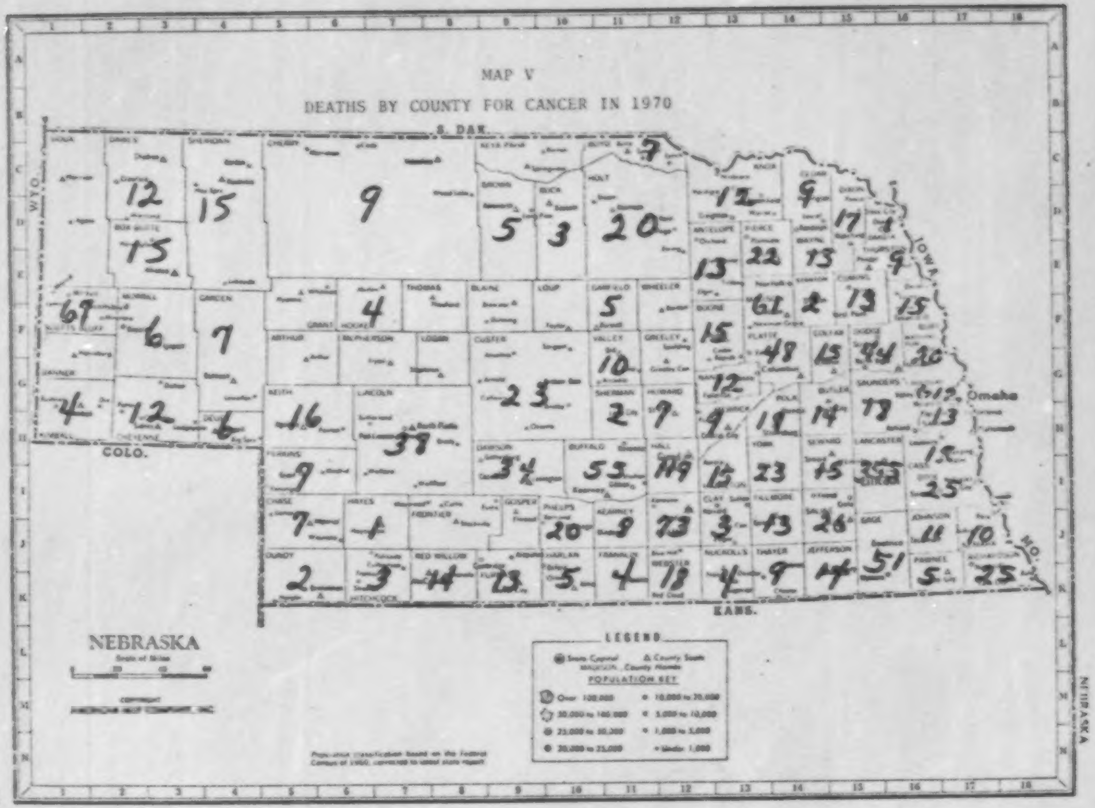
A patient receives cancer screening of the above designated sites within a period of approximately 45 minutes. The history plus any positive findings are referred to the patient's family physician within a period of 48 - 72 hours. If the patient has no family physician, he is referred to a physician of his choice. A follow-up procedure to insure patient and family physician response is built into the project.

All services offered by this unit are free of charge to the patient. Although the unit is designed primarily for underprivileged individuals and the rural population, all patients are welcome to utilize the service of the unit.

The initial screening program began on July 19, 1971, on the Indian Reservation Area of Macy, Nebraska. On August 16, 1971, the unit was moved to a similar area at Winnebago, Nebraska. During this period of time, 477 patients were screened with 73 suspects being found. The suspects have all been referred to their family physicians.

Written requests regarding the availability of the Cancer Detection Unit have been received from Tekamah, Creighton, Lynch, South Sioux City and Ralston, Nebraska.

In assessing Map V, it can be seen that there is an even distribution of death by county throughout Nebraska based on population. Based on present knowledge of the State Department of Health Death Certificate Registration, cancer is exceeded only by heart disease as a cause of death.



MAP V

DEATHS BY COUNTY FOR CANCER IN 1970

S. DAK.
WYO.
COLO.
KANS.
IOWA
MO.
Omaha
12
15
9
7
12
9
17
1
15
5
3
20
13
22
13
9
69
6
7
4
5
15
61
2
13
15
10
48
15
94
20
12
4
12
6
16
25
2
9
9
19
14
13
612
13
9
38
34
53
119
15
23
15
353
15
25
7
1
20
9
73
3
13
26
51
11
10
2
3
14
23
5
4
18
4
9
14
5
25
NEBRASKA
LEGEND
State Capital
County Seats
POPULATION KEY
Over 100,000
50,000 to 100,000
25,000 to 50,000
20,000 to 25,000
10,000 to 20,000
5,000 to 10,000
1,000 to 5,000
Under 1,000
NEBRASKA
55

THE UNIVERSITY OF NEBRASKA—MEDICAL CENTER

CONTRIBUTION TO MEETING HEALTH NEEDS IN RURAL NEBRASKA

Introduction

The University of Nebraska Medical Center has from its beginning perceived its educational and service missions as being state-wide in scope.

Consistently more than 90 per cent of its student body are Nebraskans.

More than half the patients treated in the University Hospital and Clinics come from outside the Omaha Metropolitan area.

Seventy-five per cent of the practicing physicians in Nebraska communities of less than 10,000 were trained at the College of Medicine. Fifty-seven per cent of all practicing physicians in the state are Nebraska graduates.

Those are just several statistics to indicate that the commitment of the Medical Center to health needs throughout the state is strong and constant.

At the same time, we recognize that Nebraska's health needs are not now being fully met. And we accept the responsibility to commit the full resources of the Medical Center to help meet those needs.

Viewed one way, the problem can appear simple. Nebraska needs more physicians, nurses and other health personnel, particularly in the non-urban areas. (Appendix A).

As a beginning solution, the Medical Center has doubled its student body in recent years. This has helped, but not enough. For while the Medical Center can fulfill one of its primary objectives—that of offering educational opportunities to young Nebraskans interested in health careers—it may not be fulfilling another primary objective—that of providing the health manpower needed in the state.

Graduates must be encouraged to remain in the state. The Medical Center has several effective programs designed to provide that encouragement. New programs are just getting underway. And more programs are planned. These will be discussed in detail later in this report.

Family practice has been and will continue to be stressed in the educational program at the Medical Center, since it is this type of physician most suited to serve community needs. Specialists are needed outside the metropolitan areas too, however, to provide ready consultation and assistance to the family physicians in each geographic area.

Finally, we must realize that despite all other efforts, there will remain vacuums of health care in Nebraska. The Medical Center must and will address itself to those vacuums with innovative programs, in cooperation with health planning agencies, professional organizations and leaders in state and local government.

The Medical Center is working closely with the Office of Planning and Programming, Comprehensive Health Planning, first to determine realistic health needs of the state, and then to investigate methods of meeting them. A contract has been negotiated by C.H.P. to develop a model for innovative health care delivery in the state. (Appendix B).

The Medical Center cannot ignore in its planning national trends which make it difficult to predict how health care will be delivered and funded in the future.

The impact of recommendations made recently by The Carnegie Commission in its report on Higher Education and the Nation's Health also cannot be ignored. Specific recomendations which have direct bearing on the Medical Center's planning are summarized in Appendix C.

This report will summarize the potential of the Medical Center to assist in solving Nebraska's health care problems.

The Medical Center—Then and Now

In 1964, the Joint Committee on Accreditation sent a team to the College of Medicine to determine its eligibility for continuing accreditation. The Committee determined that serious deficiencies existed that required correcton. Three major deficencies:

A. An inadequate and obsolete physical plant.
B. Insufficient faculty to teach and provide patient care.
C. Insufficient educational administrative staff.

It was obvious that under conditions existing at that time, an increase in training or service programs would be difficult. Any effort to reach out to the communities of the state would be self-defeating.

In the ensuing seven years, major changes at the Medical Center were achieved through a blend of state, Federal and private resources:

A. A new University Hospital was built, offering an environment in which excellence in clinical teaching can be blended with the best of patient care. A new Basic Science Building was completed. In 1971, onstruction began on the Eppley Science Hall. This six story building will be completed in 1972 and will provide much needed additional space for cancer research, continuing education activities, classrooms, and laboratory areas for teaching. Expansion of the Meyer Memorial Building, which houses the Children's Rehabilitation Institute is underway.

B. Faculty was strengthened concurrently with the development of the physical plant, not coincidentally. As each department filled vacancies, not only was the ability to offer the proper range of medical skills realized, but the newly strengthened faculty was able to teach more students.

C. State and Federal funds combined with contributions of alumni and friends enabled the Medical Center to build a new Library of Medicine, one we believe is unexcelled in the country.

Curriculum and Students—College of Medicine

In 1964 the entering class of medical students numbered 87. Next fall the College of Medicine plans to admit 140 students. Within several years, the freshman class could total 150 students.

The College of Medicine curriculum has been streamlined in the past several years.

Last year (1970) a special Augmentation Class of medical students began their studies. They will complete their course work in three years instead of four. Their education will emphasize the clinical practice of medicine, particularly with the goal of producing more family physicians.

An American Medical Association study indicated that the medical school graduate most likely to practice in rural areas is the man or woman who was raised in a low income family in a rural area. Medical education is expensive to the student as well as to the medical school. (Appendix D).

The University of Nebraska Medical Center is proposing a forgiveness loan program designed to help the student with limited resources and to encourage more graduates to practice in rural areas. A student would qualify for a loan (ranging from $3,600 a year for a single student to $6,000 a year for a married student with two or more children) by agreeing to enter the three-year accelerated program of medical study. The loans would carry prime interest rates. If the student serves his internship or residency in Nebraska and practices at least three years in a community of less than 7,500 population, the loan would be written off. If he did not satisfy those requirements, he would repay the loan with the accumulated interest.

Specific Programs—College of Medicine

An example of how an individual department reaches out into the communities of the state to support improved care is illustrated by the Department of Pediatrics.

Members of the department worked for a year assisting in the establishment of a High Risk Newborn Center in St. Elizabeth Hospital in Lincoln.

University pediatricians maintain a schedule of consulting visits to other hospitals helping to develop similar centers. Requests for consultation on obstretic and newborn services have been received from 45 Nebraska hospitals in recent months.

The Department of Neurology sends a staff member each month to hospitals in Scottsbluff, Kearney, Hastings, and Norfolk. These neurology clinics see patients from almost every county in Nebraska.

The Department of Obstetrics and Gynecology, in cooperation with state and local health agencies, has established a series of family planning clinics to serve medically indigent women in areas other than Lancaster and Douglas Counties, where such services were already available. (Appendix E).

Family Practice

The University of Nebraska Medical Center has long been aware of the increasing need for family practitioners of medicine. The programs of the new Department of Family Practice are important in the provision of rural health care, because the family physician is unquestionably the keystone of rural health.

The residency training program for family practitioners opened with three residents in the fall of 1970. Sixty residents are expected to be participating in the three-year program by 1975.

Each resident is assigned to care for 40 families in the family practice clinics at University Hospital and the W Street Clinic in Omaha. In their second 18 months, the residents will design their own schedules, which will include a four-month experience in one of the affiliated outstate Nebraska hospitals. The final six months of training will be spent in instruction for management administration or in additional outstate experience under the Locum Tenens program.

The Locum Tenens plan is designed to give the outstate practitioner an opportunity for flexibility in his practice schedule, as well as to give the resident physician valuable experience and insight into the health problems of a rural community. Under the program, a third-year resident covers the outstate physician's practice for a period, allowing the busy practitioner to take a vacation, attending continuing education meetings, or undertake a period of intensive study at the Medical Center.

Interest in family practice is also being encouraged on the undergraduate level at the Medical Center, with students making home visits, spending regular sessions observing activities in the practicing physician's office, and participating in seminars on family practice. The students themselves have evidenced much interest in these programs. Outstate physicians, too have been most enthusiastic, volunteering time and effort to present these seminars.

Preceptorship program

An important community-based program is the preceptorship program. A four week preceptorship experience is required for all students. This experience occurs sometime during the years devoted to the students' clinical studies. We believe there is no comparable way for the students to observe the physician in his medical, ethical, and community relationships. This program is becoming increasingly popular with the students and each year, more students are electing to take additional time beyond the required four weeks. Additionally, the freshman and sophomore students are finding increased opportunities to work with outstate physicians in cooperative programs with the Nebraska Academy of General Practice. Over 75 physicians, all members of the volunteer faculty of the College of Medicine, participate as preceptors in this program.

Model rural health care system

An important recent development has been the efforts made to establish a Model Rural Health Care System. In the summer of 1971 the Board of Regents of the University of Nebraska entered into an agreement with the Trustees of the Community Hospital, Inc. of Broken Bow, Nebraska, to provide for a joint cooperative program for the development of such a system. The program encompasses several goals and objectives.

The program will have, among its objectives, 1) the providing of the same quality of health care to persons living in the area served by Community Hospital, Inc. as is available to persons living in the metropolitan areas of Nebraska, and 2) the training and education in rural health care of medical and nursing students, graduate physicians, and allied health personnel at the University of Nebraska Medical Center.

The program is under the direction and supervision of a coordinating committee consisting of the chairman and four additional members. Two of the four additional members of the committee are appointed by Community Hospital, Inc. and the remaining two members of the committee are appointed by the Chancellor of the University of Nebraska Medical Center. It is expected that the program will facilitate the availability and accessability of health services in a representative rural area using the cooperative efforts of federal, state and local governments, the University and individual physicians in other private sectors of the community. It should provide for the reeducation of health care providers and consumers toward more efficient use of the variety of health resources available. It should also provide quality health care at reduced cost through prevention screening, early diagnosis, and increased use of ambulatory care.

Nebraska Opportunity for Volunteers in Action (NOVA)

Students at the University of Nebraska College of Medicine participate in the University's system-wide, federally-financed volunteer services program known as Nebraska Opportunity for Volunteers in Action (NOVA). NOVA is sponsored by ACTION, a federal agency which combines the Peace Corps, VISTA, and other volunteer service agencies. The medical students will begin their volunteer service about October 1, 1971.

Three projects are being developed for student placement in the program. Five students will be at the Douglas County Hospital Annex and the pavilion section of Douglas County Hospital which have a patient population of over 300 persons. Each medical student will be in charge of a section, and will serve with a medical faculty supervisor to help provide care for the patients as well as coordinate the activities of allied health professionals and other NOVA workers who are oriented toward the social sciences. One student will be at Broken Bow, Nebraska and will study ways, under local physician supervision, to coordinate the delivery of health care with the activities of several health and welfare agencies. Subsequent volunteers at Broken Bow would then, under supervision of local physicians, deliver the health care called for in the first organizational plan. Six students would be assigned to the Winnebago and Pine Ridge Indian reservations and the migrant Mexican-American residents in the Scottsbluff, Nebraska, area to work toward the development of public health nursing, well baby care, nutritional education and social agency coordination. These students would also work under local medical supervision.

Graduate Education

Graduate education in this context refers to training received after graduation from medical school to prepare the physician to enter practice. Until recently, the medical school graduate took a one-year internship in a hospital. After this internship, he either entered general practice or took further training in a specialty field, that is a residency of two or more years.

Graduate education has a significant bearing on the retention of physicians in Nebraska. A medical manpower survey disclosed that four out of six physicians who remained in the state to complete their graduate education also remained in the state to practice. Yet only one out of six physicians who went outside the state to obtain intern and residency training returned to Nebraska to practice.

In the 1960's, a total of between 50 and 60 internships were accredited in Nebraska hospitals. No hospital was able to attract enough medical school graduates to fill those accredited positions. (Appendix F). Yet the two medical schools in the state were graduating more than double the number of students than the number of accredited internships.

In the past few years the University has strengthened the quality of its internship program, and now has 41 accredited positions. The University has been able to recruit all the interns it can fund.

Anticipating the years ahead, the Medical Center is phasing out one-year internships; affiliating with Omaha community hospitals to offer cooperative graduate programs; working toward similar arrangements with Lincoln hospitals; and affiliating with community hospitals in Kearney, Scottsbluff, Crete and Friend for the family practice residency program and later for the training of medical students. Other Nebraska communities have expressed interest in similar programs.

Continuing Education

All health professionals are confronted with the dilemma that there is too much for them to know and too little time to acquire this knowledge. The University of Nebraska Medical Center has recognized this problem, and its Department of Continuing Education has organized and presented many programs to provide health professionals with the up-to-date information they need, through means that are convenient for them to use.

Many of the courses and seminars have been taken into the home communities of the professionals by telephone networks, travel by University faculty members to the outstate locales, and the employment of various educational media such as audio tapes, closed circuit television, and slide-sound programs for use in community hospitals or physicians' offices. These programs are designed to meet specific needs and desires expressed by the community professionals. In addition, numerous programs open to all practitioners in the state are held on the Medical Center Campus.

The University is exploring the possibilities of establishing a second continuing education center in Western Nebraska, making some of their programs more accessible to physicians and personnel practicing in the area. The school has received an offer of land to be used for such purposes.

THE LIBRARY OF MEDICINE

The Library offers complete services to all of Nebraska's practicing physicians, as well as to other health professionals in the state.

Requests for information, often vital to practice situations, are received by mail, telephone or teletypewriter. Any physician in the state can dial a telephone number, choose a specific medical topic, and listen to a five-minute tape on the subject. In many areas he can go to his public library and teletype a request for printed information, which, if it cannot be transmitted electronically, will be dispatched by mail the same day.

Plans to extend further the resources of the library to every section of the state include the establishment of biomedical information stations, linked by teletypewriter and facsimile; and the development of core libraries staffed by trained technicians to make information more easily available.

The library is an integral part of the national biomedical library network; thus virtually any relevant medical information is available to any health practitioner in Nebraska.

SCHOOL OF NURSING

In response to the shortage of nurses, the School of Nursing's four-year Baccalaureate Program has more than doubled its student enrollment since 1965 while using essentially the same space. The School has had to curtail enrollment because of the limited physical facilities available.

This past year, the School began its two-year Associate Degree program, entering a beginning class of 65 students. The Associate Degree program was begun at the direction of the 1969 Legislature, concerned about the closing of several hospital nursing schools in the state. The need for the program is reflected by the large number of qualified applicants whose number far exceeds the number of positions available.

Graduates of both programs are eligible for licensure as Registered Nurses.

The first students enrolled in the new graduate nursing program in 1969, and now both full and part-time students are working toward Master's Degrees in Medical-Surgical and Psychiatric Nursing.

The School of Nursing is planning several programs to serve better the nursing needs of the entire state. In a recent survey (Appendix G), two-thirds of the respondents recommended that rural community nursing be added to the curriculum of the School.

In the summer of 1971, a faculty committee conducted a demonstration project in rural nursing in Ogallala, Nebraska. Four students spent four weeks in the community. The project will be extended to other communities and the program will be included as an elective in the curriculum. Once established, such a community center could become a place for continuing education for local nurses.

The School plans to establish 10 nursing fellowships, awarded after graduation to nurses who will spend a year in an affiliated hospital in the community in the state. They might serve as instructors, in the communities where students are having educational experiences.

One of the major planning proposals is a Magnum School of Nursing within the University, which would enroll nearly 800 Baccalaureate, Associate Degree and graduate students, using resources of the three University campuses as well as clinical facilities in Omaha, Lincoln and other communities in the state.

THE NEBRASKA PSYCHIATRIC INSTITUTE

Service and educational programs of the Nebraska Psychiatric Institute offer an example of how a single center can extend itself to serve particular health needs of a state.

In 1950 a national study committee recommended the construction of a new 1,800 bed mental hospital in Nebraska to relieve overcrowded conditions in the existing hospitals. The University proposed instead building a psychiatric institute of only 100 beds that could train needed manpower and apply modern methods of treatment. The institute was built, and the census in the mental hospitals began declining.

Part of the program was the development of a system of mental health clinics throughout the state. They were developed by N. P. I.'s Community Services Division. By 1968, the system had proven itself and the operation of the clinics was turned over to the Department of Public Institutions. The Community Services Division became the Division of Preventive and Social Psychiatry, which continues to assist communities in mental health planning.

In addition to offering psychiatric courses to medical and nursing students and traning psychiatrists in residency programs, the Department of Psychiatry conducts programs for family physicians who are often on the front line in the recognition of mental illness. Ninety-five physicians from 45 counties of the state have taken a special course given a full day each month for a year.

In order to respond to the changing mental health needs of the state, the Institute will shortly augment its existing facility for the treatment of disturbed adolescents and for patients suffering from drug abuse. Soon, a second adolescent unit will be opened to provide short-term crisis intervention type therapy plus total diagnostic screening on these patients, and a research and treatment unit will go into operation to provide added services for patients with problems of drug abuse.

Finally, to streamline its services and provide more efficient service for the citizens of the state, a centralized admission unit will soon be in operation. This unit will examine all would-be patients and if the Institute is unable to accept the patient because of lack of bed space, it will have the responsibility of finding an alternative source of treatment for the patient.

CHILDREN'S REHABILITATION INSTITUTE

The C. Louis Meyer Children's Rehabibitation Institute provides diagnosis, assessment and selective therapeutic services for children with physical, sensory or neurodevelopmental handicaps. There are no eligibility restrictions and children up to age 16 are admitted on referral by the family physician or other agencies after the Institute's staff has determined that the child's needs can be served appropriately at the Institute (Appendix H).

Expansion of the Meyer Memorial Building is underway. The purpose of this expansion is to enable the Institute to provide for all types of physically handicapped and mentally retarded preadolescent and teen age youth from throughout the State of Nebraska the necessary prevocational and counseling, medical rehabilitation and behavioral rehabilitation which can lead to better personal, work, and life adjustment. In addition there will be a major expansion in behavioral evaluation and family education and training throughout the development of a behavioral evaluation laboratory.

BIOMEDICAL COMMUNICATIONS

The Biomedical Communications Center at the University of Nebraska Medical Center is responsible for the production and/or utilization of audio-visual materials including 16 and 8 mm motion pictures, slides, transparencies, graphics, still photographs, and audiotapes. It is also involved in the extensive use of closed circuit television and videotape.

Long established as a producer of mental health films, the Communications Division has pioneered in other areas as well. Nebraska Psychiatric Institute was one of the first in the United States to use a telephone conference network to bring educational activities to the staffs of outstate Nebraska mental hospitals. The division has also been a world leader in its use of closed circuit television and videotape in psychiatric teaching and research programs for nearly twelve years.

Under a six-year federal grant the Communications Division established the first two-way closed circuit medical television system in the country between the University of Nebraska College of Medicine in Omaha and Norfolk State Mental Hospital 112 miles away. This project made it possible to assess the tremendous potential of electronic face-to-face communication in taking services and people from the Medical Center to those in need of such services outstate. A two-way TV connection, tying the Medical Center to the Omaha Veterans Administration Hospital and the VA facilities in Grand Island and Lincoln has been operational for two years, and a connection with Douglas County Hospital is also in use.

The Communications Service, at the present time, makes its consultation and production services available to physicians, nurses and other health care professionals across the state.

At the present time, the Medical Center is investigating the potentials of modern electronic communication facilities to tie the Medical Center to remote areas of the state, to serve the health information and care needs of the professional and the public.

ALLIED HEALTH

Today the health care delivery system involves many medical specialists and technicians, and much sophisticated equipment. Many types of allied health professions have been developed to provide aid for the busy physician. One suggestion now being planned by the University of Nebraska Medical Center is the training of physician's assistants. These assistants would work directly under the supervision of the physician, doing such work as: 1) collecting historical and physical data, 2) organizing and presenting the information in such a way that the physician can visualize the medical problem and determine diagnostic or therapeutic steps, 3) assisting with many medical procedures and coordinating the work of technicians, 4) providing information, education and explanation to patients and other aids, and 5) handling many of the physician's paper work duties.

This help for the physician could take place under many different conditions. For instance, an assistant could be trained to operate in an isolated rural community, even though his supervising physician is in another town.

The University of Nebraska Medical Center has also been active in training various other types of allied health professionals. The Medical Center has training programs for medical technologists, radiology technologists, and physical therapists. These established programs are expected to undergo substantial growth in the future. Another proposed program would train technicians to assist medical records librarians. Additionally, plans are being formulated for a program to train health services management personnel for middle management administrative positions in hospitals, clinics and related health areas.

DIVISION OF RURAL HEALTH

Rural communities today are changing in countless ways: in numbers and age of the population, technology, social organizations, and sophistication in demands for all types of services, including health care, and improved access to these services.

Nebraska is faced with the related problems of a shortage of physicians in rural areas and the aging of those doctors who are available. Compounding these problems are the special health needs of rural areas, incurred because of recreational developments, environmental hazards of agriculture, and the high accident rate among farmers.

A new approach offers promise for the future. In August 1971, the University of Nebraska Board of Regents created a Division of Rural Health at the Medical Center. This division will include faculty members from the departments of family practice, internal medicine, pathology, obstetrics and gynecology, pediatrics, psychiatry, surgery, radiology, and preventive medicine. In addition, advisory representatives will be sought from the State Health Department, Comprehensive Health Planning and the Welfare Department. To work toward the goal of improving health care in rural areas, the division plans to undertake several types of programs.

1. A model community health program. The Medical Center has the resources and personnel to make necessary observations and offer a basis for comprehensive health services. There is indication that communities needing services will be interested in collaborating such as has already developed in Broken Bow. Plans are being made to use modern technology to bridge the communications gap between the Omaha Center and the rural area, thereby offering the latest services and information to the rural community.

2. A public education program will be necessary to show individual rural communities the advantages of health care centers utilized by several communities. These educational efforts can help the community understand the benefits of recruiting groups of physicians on an area-wide basis, rather than striving for one physician in each community. This program will be coordinated with the newly established Physician Information Exchange of the College of Medicine to match communicated requests for physicians with medical students interested in community practice.

3. Each community must critically appraise its situation to determine the most feasible arrangement for meeting its health care needs. The Division of Rural Health would work with the communities in outlining their needs.

4. Most patients can travel some distance to a physician without undue hardship. However, when age, infirmity, or depressed economic conditions make it impossible for a person to go to a physician, a mobile health office with allied health professionals and a simple laboratory might to the patient. In some very isolated areas, it might be most practical to design permanent satellite clinics staffed by physician's assistants, serving like corpsmen in an isolated military post or on a ship. Other allied health professionals could be added as needed.

5. Modern methods of communication can provide rural physicians with more information than any one of them could retain or even file. Information regarding patient history, or consultation with experts is possible with an adequate communications system. Reviews of medical topics, seminars and lecture courses can also be transmitted long distances without the need for the participants to spend time in travel.

APPENDIX A

Distribution of non-Federal physicians per 100,000 population

State:	*Number*
Colorado	187
Iowa	119
Kansas	119
Minnesota	150
Missouri	150
Nebraska	*120*
Oklahoma	118
South Dakota	87
United States	148

APPENDIX B

PROPOSED CONTRACT TO DEVELOP MODEL OF HEALTH CARE DELIVERY SYSTEM

ARTICLE I—DESCRIPTION AND SCOPE OF WORK

A. The Contractor shall develop a model for an innovative health care delivery system for the State of Nebraska and determine the feasibility of its implementation. The model health care delivery system should be designed to equalize access to services, maintain quality, and moderate the costs of health care.

B. In performance of this contract, the Contractor specifically shall:

1. Assess the current health care delivery system and health care requirements in the State including:

(*a*) Facilities for providing health care—their location, capacities, and utilization.

(*b*) Manpower resources—including professional and non-professional.

(*c*) Sources and mechanisms for health care financing.

(*d*) Organization of health services in the State including organizational relationships of health facilities and services, and patient utilization and flow patterns.

(*e*) Estimates of the health care needs of the population of the State.

2. Design a model health care delivery system which would provide greater access to people in all areas of the State. This model should consider, but not necessarily be limited to, the following components:

(*a*) New kinds of health manpower required, their distribution, and the extent of training involved.

(*b*) Ways for financing the system including sources of public and private capital.

(*c*) New kinds of inter-institutional arrangements, shared services, and ambulatory care systems.

(*d*) A comprehensive health service data system for monitoring and managing the total system which also can be used to evaluate the impact of the experimental system in increasing access, containing costs, and maintaining quality.

(*e*) Methods for assuring quality and effectiveness of care provided throughout the system.

(*f*) Methods for linking providers, consumers, patient records, etc., into a communication and transportation network.

3. Involve all major health care provider groups and appropriate consumer groups and third party payers in the development of this model.

4. Ascertain the degree of acceptability of the model to both consumer and provider groups.

5. Determine resources needed to implement the model health care delivery system in the State.

6. Determine the changes necessary in State law to implement various aspects of the model system.

7. Determine a time schedule for implementing all components of the health care delivery model.

ARTICLE II—ARTICLES OR SERVICES TO BE FURNISHED AND DELIVERY TIME

The Contractor shall submit to the Project Officer, National Center for Health Services Research and Development, 5600 Fishers Lane, Rockville, Maryland 20852, the following items in the quantities and during the time periods listed below.

Item	Description	Quantity	Delivery time
1	Progress reports—to report progress on art. I and elaborate on difficulties encountered and their resolution.	20	4 months from effective date of contract and every 4 months thereafter.
2	Final report—to encompass a detailed description of: (a) The assessments of the current health care delivery system and health care requirements as outlined in art. I, B1. (b) The model health care delivery system and evaluation scheme outlined in art. I, B2, 3. (c) Plans for implementation of the model system outlined in art. I, B4, 5, 6, and 7.	20	12 months from effective date of contract.

APPENDIX C

HEALTH RECOMMENDATIONS OF THE CARNEGIE COMMISSION ON HIGHER EDUCATION (SELECTED SUMMARIES)

1. *Increase number of medical school entrants* to 15,300 by 1976 and to 16,400 by 1978. Accomplish this by (1) an average expansion of 39–44% in existing and developing schools, and (2) creation of 9 additional schools or 8–13% expansion.

2. Develop programs for the training of physicians' and dentists' *assistants and associates.*

3. *Accelerate pre-medical and medical education.* Shorten pre-dental and dental education where unnecessarily prolonged. Commission favors 3-year program from B.A. to M.D. or D.D.S. and a 3-year residency (instead of typical 4 years of internship and residency).

4. Develop the concept of the University Health Science Center with the medical school at the core in areas with a population of *at least* 350,000. UHSC's should be responsible, in their geographic area, for coordinating the education of health care personnel and for cooperating with other community agencies in improving the organization of health care delivery. All new medical and dental schools be parts of centers. Commission recommends 9 new centers bringing total to 129.

5. *Develop the concept of the area health education center* in sparsely populated areas at some distance from UHSC and in a few large metropolitan areas needing additional training facilities. Core would be a community hospital. These area centers would be affiliated with the nearest UHSC and would perform somewhat the same functions except that the education of MD and DDS candidates would be restricted to a limited amount of clinical education on a rotational basis and research programs would be largely restricted to the evaluation of local experiments in health care delivery systems. Commission recommends 128 centers (apparently 2 already exist).

6. *Student grants* for students from low-income families.

7. *Improve residency training* to include community hospitals, neighborhood clinics, etc., as well as teaching hospitals.

8. *States should provide major support* for house officer training and the education of allied health personnel.

9. Reduce period of M.D. study from 4 to 3 years.

10. Reduce residency and internship period from 4 to 3 years.

11. Reduce ratio of faculty to students (med. school).

12. Enter 2 classes per year to make better use of laboratory facilities and teaching personnel.

13. Increase the number of allied health personnel to raise productivity of physicians and dentists.

14. Use outside hospitals for clinical training rather than, or in addition to, subsidizing a university hospital.

APPENDIX D

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, NEWS RELEASE, NOVEMBER 24, 1970

The average amount spent for living and educational expenses by students attending medical school in 1967–68 was $4,394. For single students the average was $3,421 and for married students the average ranged from $5,727 for those with no children to $6,310 for those with two children or more.

These figures are from a survey of medical and osteopathic students in U.S. schools made by the Bureau of Health Manpower Education of the National Institutes of Health in cooperation with the Association of American Medical Colleges and the American Association of Osteopathic Colleges. The results of the survey are revealed in a new publication, *How Medical Students Finance Their Education*. The findings update an earlier study made prior to the implementation of the Health Professions Educational Assistance Act of 1963.

Medical and osteopathic students utilized a number of sources to meet their school and living expenses. About one-fourth of medical students' income was supplied by their families as gifts and loans, and an additional one-fourth came from their own earnings and savings. Married students relied heavily on their spouses' earnings, the contribution from this source ranging from one-fourth of total income for married students with two children or more to more than one-half for those with no children.

Loans from funds made available under the HPEAA accounted for eight percent of medical students' income; loans from other sources outside their families accounted for about four percent.

Among the significant findings of the survey are:

> Two out of three medical students had financial help from their families and two out of every five students had loans from non-family sources. Loans received averaged $1,479 per student, as compared to $1,720 requested.
>
> One out of three medical students received a non-refundable grant for the 1967–68 school year. The average amount reported from this source was $1,057.
>
> Twenty-three percent of all medical students worked during the school term, but the proportion who worked increased as family size increased. Among single students, one out of five students worked an average of 12 hours per week. For married students the proportion who worked was 24 percent for those with no children and 42 percent for those with two children or more. The former group averaged 11 hours' work per week while the latter group averaged 15 hours.

While 21 percent of the medical students reported debts for college expenses averaging $1,836, the proportion with debts for medical school expenses ranged from 25 percent for freshmen to 52 percent for seniors and the average amount owed ranged from $1,557 among freshmen to nearly $4,400 for seniors.

One out of five students in medical schools came from a family whose annual income was $25,000 or more although only one out of fifty families in the United States had incomes this high. The proportion of medical students' fathers who had graduate or professional education beyond college was 7 times the proportion for American males 25 years old or older.

Educational and living expenses for students in osteopathic schools averaged $5,292 during the 1967–68 school year. For single students the average amount spent, was $3,815 and among married students, the average ranged from $6,180 for those with no children to $6,944 for those with two children or more.

Sources of income for osteopathic students were similar to those for medical students. A smaller proportion of osteopathic students' income was contributed by families than for medical students and a comparatively larger proportion was derived from loans outside their families, especially loans from HPEAA funds. More than one-half of all osteopathic students had debts for college expenses. Seven out of 10 seniors reported debts averaging over $5,500 for osteopathic school expenses, and 2 out of 10 reported an average debt of $2,770 for college expenses.

Single copies of *How Medical Students Finance Their Education* are available from the Information Office, Bureau of Health Manpower Education, Building 31, NIH. Copies may also be purchased from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402 at $1 each.

APPENDIX E

STATEWIDE FAMILY PLANNING

The University of Nebraska Medical Center in cooperation with state and local health and medically oriented agencies expects to provide family planning services including advice and contraception to medically indigent women and men via pilot locations across the state. Where possible these clinics will be in full cooperation with a private practitioner and held in his office. Emphasis will be on counties other than Lancaster and Douglas.

Objectives will be:

1. Reducing infant and maternal mortality by spacing of children and limiting of family size.
2. Reducing incidence of illegal abortion.
3. Providing a basis for entry into a general comprehensive health services program for medically indigent families.
4. Providing interconceptional care to women of child-bearing age.
5. Providing opportunities to low-income individuals and families to improve their social and economic conditions by limiting unwanted fertility and as a hopeful result lift them from their present poverty status.

APPENDIX F

FIRST YEAR HOUSE OFFICERS IN NEBRASKA THROUGH NIMP—1969-70

	Sought 1969-70	Filled 1970
Lincoln:		
Bryan	10	6
Lincoln General	6	3
St. Elizabeth	6	0
Omaha:		
Childrens	4	0
Creighton	39	8
Immanuel	10	0
Methodist	12	12
University of Nebraska	47	35
Total	134	64

RESIDENCY PROGRAMS IN NEBRASKA AMA APPROVED 1969-70

Hospital	Program	Number of approved positions	Number of residents 1970-71
Omaha:			
Children's	Pediatrics	4	2
Creighton	Medicine	20	6
	Surgery	11	6
	OB-GYN	6	3
	Pathology	10	5
	Radiology	6	4
	Total	53	24
Clarkson	Pathology	8	2
Methodist	do	1	3
University of Nebraska	Medicine	20	17
	Surgery	17	15
	OB-GYN	9	9
	Pediatrics	12	7
	Pathology	8	7
	Family practice	12	4
	Radiology	10	10
	Neurology	9	0
	Ophthalmology	4	4
	Orthopedic surgery	6	5
	Otolaryngology	12	7
	Psychiatry	24	23
	Child psychiatry	6	2
	Anesthesiology	9	9
	Total	158	119
Lincoln:			
Lincoln General	Pathology	1	1
Nebraska Orthopedic			
St. Elizabeth	Pathology		
Veteran's Administration	Surgery	10	4
Total		235	155

There are no approved programs at this time in Nebraska in the following A.M.A. recognized specialties:

- Colon & Rectal Surgery
- Neurosurgery
- Pediatric Cardiology
- Plastic Surgery
- Pediatric Allergy
- Aerospace Medicine
- Public Health
- Urology
- Dermatology
- Physical Medicine & Rehabilitation
- Preventive Medicine
- Occupational Medicine
- Thoracic Surgery

PAGE 3.—APPENDIX F

PROJECTED INTERNS AND RESIDENTS AT THE UNIVERSITY OF NEBRASKA MEDICAL CENTER

Residents	1964	1965	1966	1967	1968	1969	1970	1971	1972
Anesthesia	3	2	4	8	8	9	10	10	11
Internal medicine	11	10	9	12	12	10	17	29	38
OB-GYN	7	6	6	7	7	9	12	10	10
Ophtalmology	4	3	4	4	4	4	4	5	6
Oral surgery				3	5	7	6	6	6
Orthopedic surgery					2	3	5	9	9
Otorhinolaryngology					3	5	8	8	9
Pathology	2	3	5	8	5	7	7	6	6
Pediatrics	2	4	5	6	3	4	8	12	16
Pediatric allergy								0	1
Pedodontics					1	2	4	4	4
Radiology	2	3	4	4	6	9	12	12	12
Surgery	12	10	12	12	14	14	15	15	15
Family practice	1	1					4	6	14
Psychiatry	24	16	8	10	11	14	23	33	33
Dermatology								0	2
Urology								3	3
Neurology							1	2	3
Interns [1]	9	6	9	10	9	23	34	9	9
Total	77	64	66	84	90	120	170	179	207

[1] It is projected that after 1971 the "internship" may no longer exist, but rather these individuals will be 1st-year residents.

APPENDIX G

UNIVERSITY OF NEBRASKA SCHOOL OF NURSING, STUDY OF GTADUATES

In the fall of 1970 questionnaires were sent to 242 graduates of the baccalaureate program in nursing. Questionnaires were returned by 185 (76.4%).[1]

I. Marital status and occupation of parents and husbands

More than three-fourths (144 or 77.8%) of the respondents were married. Of these 66 (45.8%) were married to professional men and an additional 18 (12.5%) were married to graduate students who will enter the professions upon completing their education.

The occupations of the husbands present a marked contrast with the occupations of the fathers. Only 27 (14.6%) of the fathers were engaged in the professions, whereas 106 (57.3%) were in farming, business or managerial positions. Farming was the single occupation employing the greatest number of fathers (69 or 37.3%). Only four graduates were married to farmers (2.8%).

It is obvious from Fig. 1 that the respondents tended to marry husbands who, like themselves, were professional workers and who were employed in occupations that would necessitate leaving the farms or small communities.

The findings also suggest that nurses come from middle class families who hold the values of the middle class and of the rural communities, yet following marriage they become members of a higher socio economic class.

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[1] Questionnaires were set to all graduates from 1959 through 1970.

FIG. I. OCCUPATIONS OF FATHERS AND HUSBANDS OF 185 GRADUATES OF THE UNIVERSITY OF NEBRASKA SCHOOL OF NURSING

	Fathers N	(N=185) percent	Husbands N	N=144 Percent
I. Professional	27	14.6	66	45.8
Engineers	12		16	
Teachers	4		13	
Doctors	3		7	
Lawyers	3		5	
Ministers	3		5	
Dentist	1		2	
Personnel	1		6	
Other	0		2	
II. Farmers, business	106	57.3	26	18.1
Farmers	69	37.3	4	(2.8)
Business	26		7	
Managerial	11		15	
III. Clerical and sales	20	10.8	17	11.8
IV. Skilled	18	9.7	9	6.3
V. Unskilled	10	5.4	3	2.1
VI. Others	4	2.2	23	15.9
Forester	1			
Armed Forces	3		5	
Students			18	(12.5)
Total	185	100.0	144	100.0

Like graduates throughout the nation, approximately two-thirds (126 or 68.2%) were employed either full or part-time. There are marked differences however between the employment patterns of married and unmarried nurses and nurses who are married and have children.

EMPLOYMENT STATUS OF NURSES

	Full time		Part time		Unemployed	
	Number	Percent	Number	Percent	Number	Percent
A. All nurses (185)	95	51.4	31	16.8	59	31.8
B. Married (144):						
With children (99)	22	22.2	25	25.3	52	52.5
No children (45)	35	77.8	3	6.7	7	15.5
C. Single (41)	38	92.7	3	7.3	0	0

EMPLOYMENT STATUS OF 99 GRADUATES AND AGES OF CHILDREN

	Ages of children							
	−1 year		1 to 5		6 to 10		10 plus	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Married nurses:								
Employed	16	25.8	33	53.2	12	19.4	1	1.6
Not employed	25	31.6	38	48.1	16	20.3	0	0

It is obvious that nursing and the community must make it possible for the married nurses to work if their untapped skills are to be used in alleviating the nurse shortages.

FIG. 4.—RESIDENCE AND EMPLOYMENT STATUS OF 185 GRADUATES (SINGLE AND MARRIED)

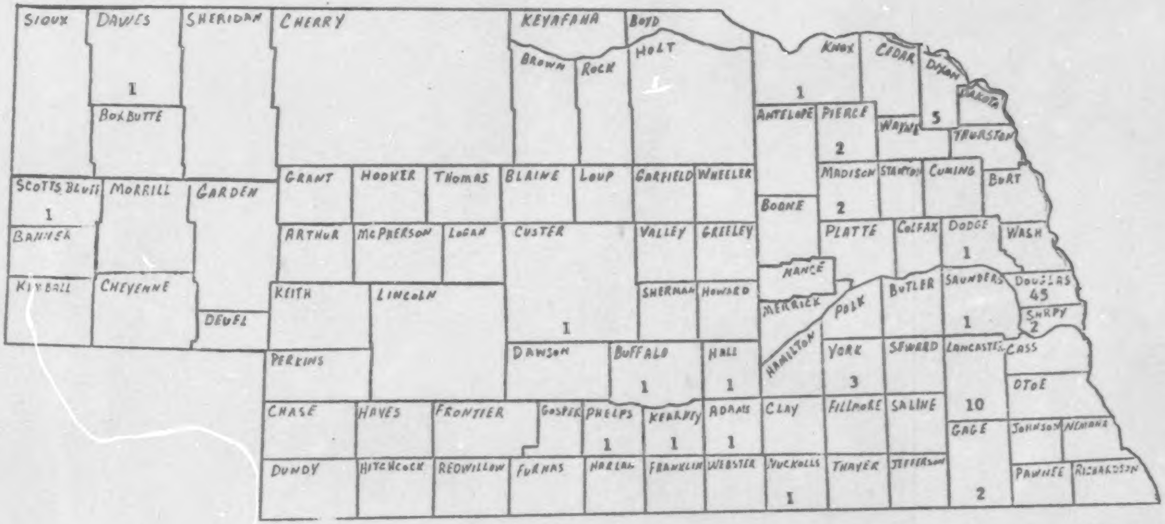
	Married						Single					
	Full-time employment		Part-time employment		Unemployed		Full-time employment		Part-time employment		Student	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Nebraska (not including Omaha)	13	7.0	7	3.8	12	6.5	4	2.1	1	0.6 (.54)	1	0.6 (.54)
Omaha	14	7.6	6	3.2	6	3.2	19	10.2	0	....	0	......
Other States and countries	30	16.2	15	8.1	39	21.0	15	8.1	2	1.0	1	(.6)

The first two maps show the residence and employment of graduates of the School. The last two maps show the areas of the State from which present students in the School (baccalaureate and associate degree) have been recruited.

Page 5 APPENDIX G

UNIVERSITY OF NEBRASKA SCHOOL OF NURSING

I UNIVERSITY OF NEBRASKA GRADUATES (1959 - 1970)1/ LIVING IN NEBRASKA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DIXON
DAKOTA
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PIERCE
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WAYNE
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CHEYENNE
GARDEN
DEUEL
GRANT
HOOKER
THOMAS
BLAINE
LOUP
GARFIELD
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BOONE
MADISON
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BURT
ARTHUR
McPHERSON
LOGAN
CUSTER
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GREELEY
PLATTE
COLFAX
DODGE
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WASH
NANCE
KEITH
LINCOLN
SHERMAN
HOWARD
MERRICK
POLK
BUTLER
SAUNDERS
1
DOUGLAS
45
SARPY
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PERKINS
DAWSON
BUFFALO
1
HALL
1
HAMILTON
YORK
3
SEWARD
LANCASTER
10
CASS
OTOE
CHASE
HAYES
FRONTIER
GOSPER
PHELPS
1
KEARNEY
1
ADAMS
1
CLAY
FILLMORE
SALINE
GAGE
2
JOHNSON
NEMAHA
DUNDY
HITCHCOCK
REDWILLOW
FURNAS
HARLAN
FRANKLIN
WEBSTER
NUCKOLLS
1
THAYER
JEFFERSON
PAWNEE
RICHARDSON

N = 83 Questionnaires returned by 185 graduates.

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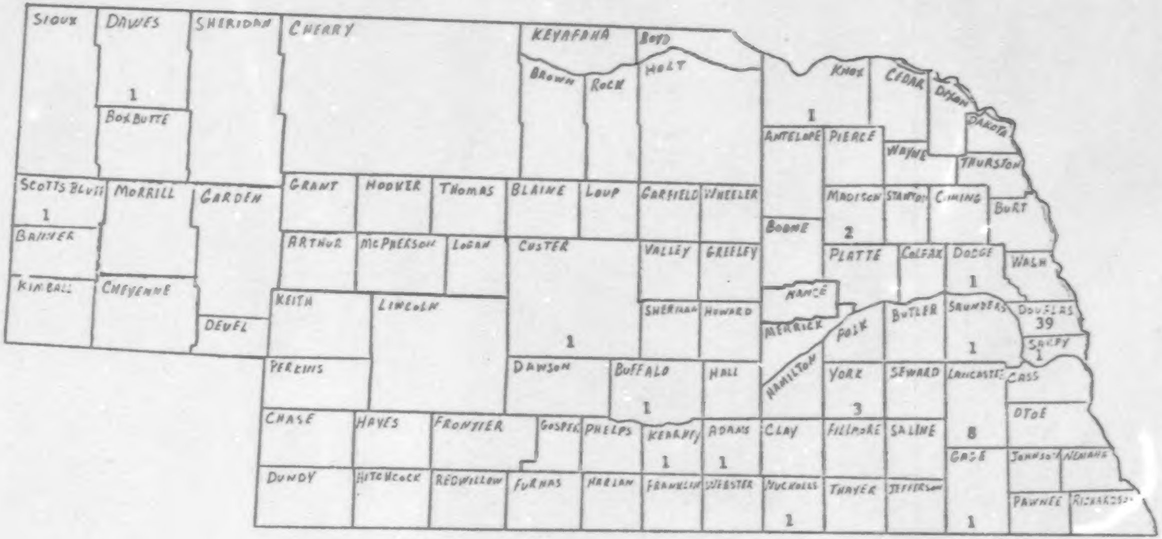
UNIVERSITY OF NEBRASKA SCHOOL OF NURSING

II UNIVERSITY OF NEBRASKA GRADUATES (1959 - 1970)1/ EMPLOYED IN NEBRASKA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GRANT
HOOKER
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LOUP
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BANNER
BOONE
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McPHERSON
LOGAN
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COLFAX
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KEITH
LINCOLN
SHERMAN
HOWARD
MERRICK
POLK
BUTLER
SAUNDERS
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DOUGLAS
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SARPY
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PERKINS
DAWSON
BUFFALO
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PHELPS
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GAGE
1
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DUNDY
HITCHCOCK
REDWILLOW
FURNAS
HARLAN
FRANKLIN
WEBSTER
NUCKOLLS
1
THAYER
JEFFERSON
PAWNEE
RICHARDSON

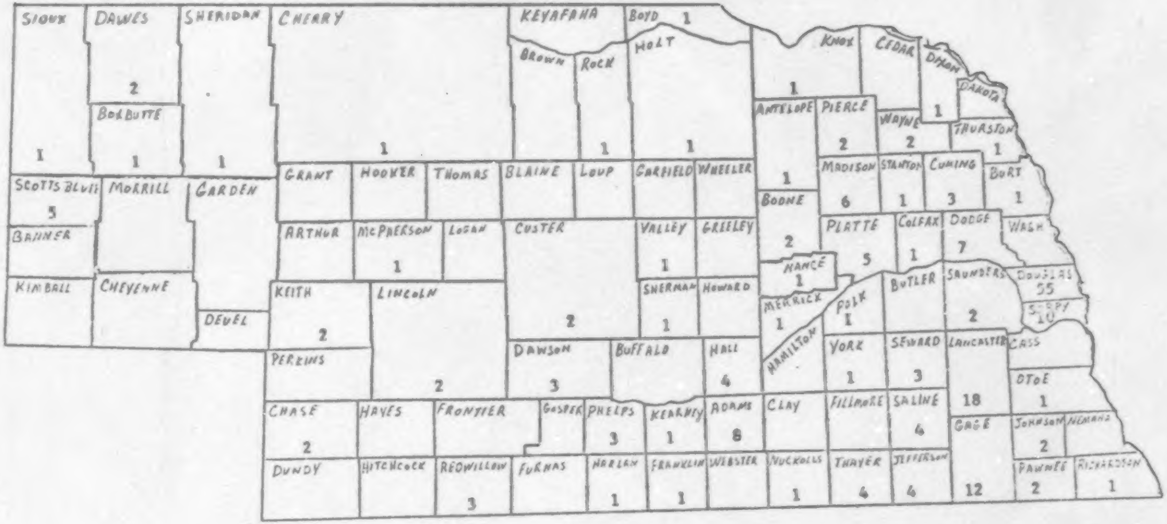
N = 64 Questionnaires returned by 185 graduates

Page 7 APPENDIX G

UNIVERSITY OF NEBRASKA SCHOOL OF NURSING

III BACCALAUREATE STUDENTS 1970

Baccalaureate Degree Students By County of Residence.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DIXON
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DAKOTA
ANTELOPE
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BANNER
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McPHERSON
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POLK
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DAWSON
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BUFFALO
HALL
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YORK
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OTOE
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FRONTIER
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ADAMS
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CLAY
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SALINE
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GAGE
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JOHNSON
2
NEMAHA
DUNDY
HITCHCOCK
REDWILLOW
3
FURNAS
HARLAN
1
FRANKLIN
1
WEBSTER
NUCKOLLS
1
THAYER
4
JEFFERSON
4
PAWNEE
2
RICHARDSON
1

Total Number of Non-Nebraska Students 11
Total Number of Nebraska Students 206

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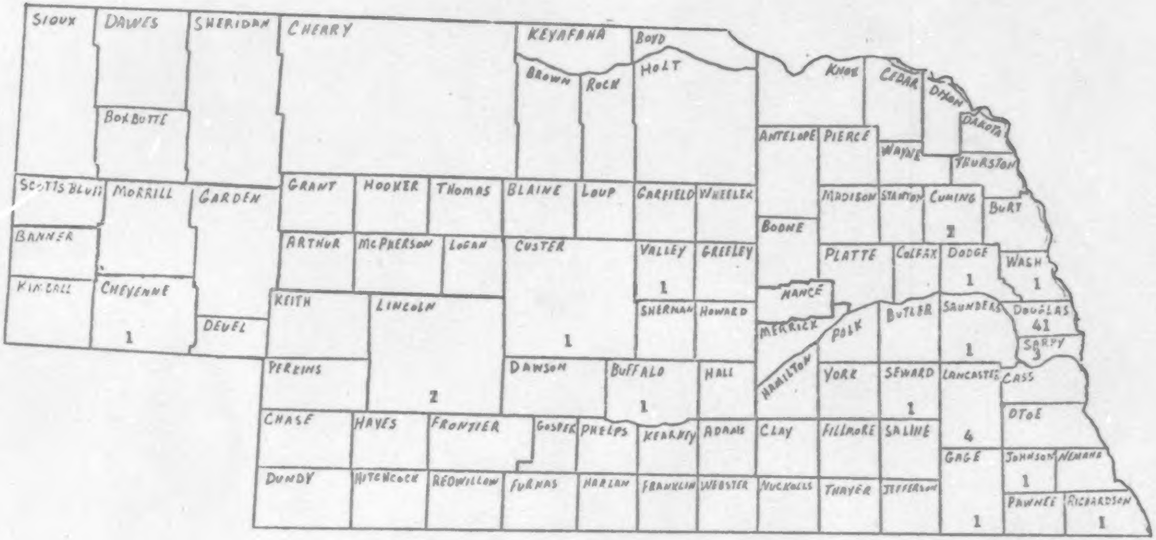
UNIVERSITY OF NEBRASKA SCHOOL OF NURSING

IV ASSOCIATE DEGREE STUDENTS 1970

(First Year of Program)

Associate Degree Students By County of Residence.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ARTHUR
McPHERSON
LOGAN
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VALLEY
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GREELEY
BOONE
PLATTE
COLFAX
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WASH
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DEUEL
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LINCOLN
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NANCE
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SAUNDERS
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DOUGLAS
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BUFFALO
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1
JOHNSON
1
NEMAHA
DUNDY
HITCHCOCK
REDWILLOW
FURNAS
HARLAN
FRANKLIN
WEBSTER
NUCKOLLS
THAYER
JEFFERSON
PAWNEE
RICHARDSON
1

Total Number Non-Nebraska Students	1
Total Number of Nebraska Students	63

APPENDIX H

THE C. LOUIS MEYER CHILDREN'S REHABILITATION INSTITUTE

The C. Louis Meyer Children's Rehabilitation Institute provides the State of Nebraska with the highly specialized services needed for the diagnosis, evaluation, and treatment of children with handicaps. The majority of the children served suffer from one or more of the developmental disabilities, such as mental retardation, cerebral palsy, or one of the many types of birth defects. The Institute also serves children burned or crippled in accidents.

Clinical services include complete evaluation and/or treatment by especially trained pediatricians, psychologists, nurses, speech pathologists, audiologists, social workers, physical and occupational therapists. Other medical specialties and complete laboratory services are available through the Medical Center. Residual facilities for those children who must stay at the Medical Center are available in the adjacent Hattie B. Munroe Pavilion.

A special therapeutic nursery school serves multiple handicapped children in the preschool age. By combining the benefits of early education with the specific therapies needed, each child is provided the opportunity to achieve his or her full potential. The Institute now serves the center for Nebraska's young children who are both deaf and blind. Six children with this catastrophic disability are now attending this unique program at the Institute.

The basic objectives of the Institute are to:

(1) Demonstrate the value of early, intensive interdisciplinary programs as a means of preventing or ameliorating handicapping conditions, and preparing the child not only physically but educationally and psychologically for a satisfying, productive life as an adult.

(2) Make possible the interdisciplinary education of personnel from the health, education and vocational fields thus helping to reduce the critical shortage of professionals specializing in the rehabilitation of children while at the same time demonstrating to them the inter-relatedness of the disciplines in the total rehabilitation of the child.

(3) Provide a base for carrying out both basic and clinical research on the causes of various handicapping conditions and to seek better methods of treatment so that secondary effects of these handicaps may be prevented or corrected. Psychologic research is conducted to find better ways to prepare the handicapped person to take his place in society and to prepare society for the acceptance of the handicapped individual.

The three-story C. Louis Meyer Children's Rehabilitation Institute is located on the Medical Center Campus. It contains administrative offices, examination and testing rooms and equipment for the variety of disciplines serving it, classrooms, a swimming pool and a hydrotherapy room. The Omaha Hearing School, which is affiliated with the Institute, is on the third floor and provides preschool education for the deaf child. The building is connected to the J. P. Lord School (the Omaha public school for physically handicapped children) by enclosed passageway, and by tunnel to Childrens Hospital. It is also connected by enclosed passageway to the Hattie B. Munroe Home, which is the residential or extended care facility for children participating in the Institute's program.

The underlying philosophy of patient care at the Institute is to consider the whole child and his family rather than focusing exclusively on the child's handicap.

The basic goals of the training programs for health personnel are to:

(1) Provide a setting which will demonstrate for students from the various health and education services professions the multi-faceted aspects of the rehabilitation of children with physical and/or mental handicaps, and do this in a way which will induce many of the students to return for specialized training in their area.

(2) Provide specialized, individualized training programs in the several disciplines needed in the health care and special education of the child with handicaps.

(3) Whether orientations, demonstrations or individualized training programs, stress the value of early intensive interdisciplinary management and the importance of each professional keeping clearly in mind the needs of the whole child as they may relate to his own particular efforts.

STATEMENT OF JACK W. VAUGHN, EXECUTIVE DIRECTOR, HOLDREGE INDUSTRIAL AND DEVELOPMENT CORP., HOLDREGE, NEBR.

Chairman Humphrey, Senator Curtis and Senator Bellmon: There is a crying need for industrial development and new job opportunities throughout Nebraska.

Nebraska cities and towns seeking to help finance industry to provide jobs need financing sources. Country banks are not the sources for long term capital investments. Bankers in rural American are being called upon today as never before to finance loans to farmers.

This wasn't always true. Farmers were at one time lending money to banks rather than borrowing from the banks. Farmers' loans since 1960 have soared to half again higher than their deposits.

We would suggest increasing the present Congressional limitation on issuance of industrial development revenue bonds by municipalities and counties from the present $5,000,000 ceiling to $10,000,000 for each plant located.

In urging the Congress to increase the ceiling to $10,000,000 it is strongly felt that this move would encourage industry to disperse from antiquated, deteriorated plants, some of which now pollute the air, water and land. Conversion to environmentally clean plants would provide jobs in rural American and, at the same time, ease the pain of dying, deteriorating cities.

The industrial development revenue bond in many ways is comparable to an investment tax credit. It brings an investment in new jobs, new payrolls, new income for governmental subdivisions. Through the increased ceiling, there could be brought about a more normal balance in the development of the nation's economy and population distribution.

Rural residents invest capital in school district bond issues, municipal bond issues and other similar financing by governmental subdivisions. Is it unwise to invest in a new high school and suffer the brain drain through outmigration of its youth or to keep its youth with jobs created through industrial revenue bond issues?

We would further recommend and urge that if the increase in the ceiling for industrial development revenue bond issues is approved that such ceiling apply only to towns and counties under 25,000 population.

Thank you very much.

NEBRASKA BANKERS ASSOCIATION, INC.,
Omaha, Nebr., September 29, 1971.

Hon. HUBERT HUMPHREY,
Chairman, Senate Subcommittee on Rural Development,
Washington, D.C.

DEAR SENATOR HUMPHREY: On behalf of the Nebraska Bankers Association, I would extend our thanks and appreciation for holding the record of your Subcommittee Hearing held in Lincoln, Nebraska, on September 10, 1971 open to allow us to comment in regard to the development of Rural America of which we are a proud part. We commend you and your committee for your sincere approach to our problems.

We would agree that some types of rural non-farm properties are somewhat difficult to finance, as all private financing must be governed by the market available and demand for such properties, i.e., rural non-farm homes. We are also of the firm opinion that any attempt to stimulate additional help in this area must be done through existing lending agencies, preferably through guaranties and reserve rquirement adjustments, coupled with regulatory understanding.

Our economy historically has been based upon personal contact and judgment and we must be very careful not to upset the delicate balance through an irresponsible approach to financing leading to mail order judgment of credit and the consequential deterioration of the quality of financing.

Thank you again for you and your committee's consideration. I remain,

Very truly yours,

JOHN W. CATTLE, *President.*

STATEMENT OF NEBRASKA PANHANDLE COMMUNITY ACTION AGENCY, GERING, NEBR.

The problems of poverty in our rural area of western Nebraska must be separated into two distinct areas.

First, there are low-income families who (since being displaced from small farms and businesses because of todays' economics) are underemployed because they lack skills and training needed for todays' technical society. There are other sectors of low-income families which consist of those born and raised in a 'culture of poverty,' whose families have always been basically poor, uneducated, untrained and living in substandard housing, on substandard income. Compounding the later problem are the problems which are inherent in minority ethnic groups such as language barriers and (only) seasonal employment as farm laborers.

There are other ranges of economics in our rural areas such as the border-line dry-land farms; low wage rates for most unskilled or semiskilled workers; many retired persons existing on small pensions and/or Social Security; and farm prices for produce, crops, cattle and hogs that do not produce adequate profits in order to provide a substantial income. There is also a severe shortage of industry to absorb either skilled or unskilled workers.

Social and political apathy are characteristics of people who are trapped in poverty. This results in a lack of participation in decision making processes at all levels of both community and government action. The result then, is a breakdown in communication and full involvement in our democratic processes and an influence of the decision making processes by socialistic-leftist individuals who are not really concerned about the poor people.

A consequence of this apathy is that these individuals will frequently follow the direction and ideas of a more vocal outside individual who will lead them. Even though the direction they are lead may in turn lead to their ultimate downfall and further entrapment in poverty. Development of true democratic leadership from their own ranks is certainly an essential step to slow the poverty cycle.

Family structure in the rural poverty areas, like those in the urban areas, is frequently unstable and disorganized. There is generally a weak personal identity, weak self image and a general feeling of helplessness, dependency and inferiority. The family structure includes then the hopelessness and the sense of isolation which then results in other social ills such as alcoholism, illegitemacy, high divorce rate, poor school and job affiliation.

These social ills however, would not necessarily disappear even if all poor people were simply given money. They must be allowed the chance for education, jobs, better housing, sanitation, better food, medicine, medical care, adequate clothing and finally, individual and family counseling to help overcome the mental attitudes that develop in the 'Culture of Poverty.'

*The major causes or conditions of poverty in the rural areas and communities served by the NPCAA are listed in order of priorities:

(1) Depressed economy resulting in extensive unemployment and underemployment.

(2) Lack of adequate education and training.

(3) Insufficient incomes to acquire adequate food, medicine and medical care.

(4) Lack of means to acquire adequate information on eligibility requirements for various social agency services.

(5) Poor transportation facilities.

(6) Lack of means to up-grade substandard housing at a price low-income people can afford. Poor migrant housing.

(7) Insufficient community organization to assist in breaking the poverty cycle.

(8) Reduce discrimination, if occurring, because of age, sex, and ethnic groups.

(9) Problems of the aging.

(10) Lack of adequate legal counsel in some areas.

(11) High birth rates of low-income families.

Many of these causes or conditions exist in all rural areas. However, in addition to the conditions of poverty in rural Nebraska, there are also significant problems affecting the life, culture and economy of all citizens residing here. Prominent among these are those of drugs, juvenile deliquency, high taxes, inadequate highways and highway safety, high welfare costs, pollution, other environmental problems and racial tensions.

There is no problem in the community or rural area that does not affect that area completely and result in worsened economic problems.

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*Our information used here was compiled through the NPCAA CAP 5 data, Community Interest Survey of KDUH-TV (copy attached), and through the needs of the poor as expressed in meetings of low-income planning councils, forum meetings, advisory groups and low-income Board representatives.

Drugs, alcoholism, delinquency, highway deaths, welfare payments, and pollution all cause or contribute to high taxes and the wasting of our money, natural resources and manpower.

Underemployment, inadequate education, lack of employment skills, poor nutrition, inadequate medical care also waste our most essential natural resource, human beings. Also families should not be put in a position of falsifying information to receive assistance through migrant program. Self-certification should be abolished so that the certifying worker can be coordinated with employment available in the area.

Due to depressed farm and rural economic conditions, many families seek the cities and employment, only to find more poverty and unemployment.

Solutions are certainly not as easy to elaborate as the problems, however certain basic steps should be implemented on a crash basis

(1) All necessary measures should be implemented to promote *full* employment at once for those having marketable job skills.

(2) Education and manpower skill-training programs should be stepped up immediately and continued indefinitely for all persons chronically underemployed or seasonally employed and lacking skills.

(3) On the job training-employer oriented.

(4) Day care centers to free working or trainable women job candidates should be formed and the children given cultural and educational opportunities to prepare them to compete in the education experience at a later time.

(5) More adequate health care and nutritional programs should be available to improve basic health standards.

(6) Better lines of communication between public agencies and recipients, plus better trained social workers.

(7) Improved, lower-cost public transportation.

(8) Improved and expanded housing programs with new, daring innovations, plus more programs such as the Scotts Bluff Housing Authority has formulated and successfully completed.

(9) Reduction in discrimination, wherever it might occur.

(10) More adequate incomes, health care and housing for our senior citizens.

(11) Improved legal counsel for low-income citizens in the area of contracts, installment buying, interest rates, etc.

(12) Family Planning and Birth Control.

These solutions will not completely abate the economic and poverty problems of Western Nebraska. However, they would represent a significant and humanitarian approach to the problems. The price tag will be high, but it is impossible to put a price tag on human resources. Wars have cost us dollars and lost many lives. The "War on Poverty" may cost many more dollars but could save lives. It could save the lives of todays' parents, their children and grandchildren. Solutions should be found for poverty problems which will ultimately reduce the welfare case load significantly.

Significant as the accomplishment of man on the moon may be, how much more significant the accomplishment of a return of human dignity to all men, of every race, creed and color, regardless of religious or political convictions would be. Then, and only then, can the American Dream become a reality, and allow all human beings to live with self-dignity and pride.

STATEMENT OF SCOTTS BLUFF COUNTY (NEBR.) COMMISSIONERS, GERING, NEBR.

We would like to submit our views on rural development in Western Nebraska.

Agriculture is the largest single business in the County. Currently agriculture is at an all time low in relationship to the rest of the economy. Until specific programs are adopted to bolster agriculture it will continue its dramatic decline as a dominant force in our local economy.

There is no question this same statement is true in all other parts of the country.

The following suggestions we feel should be considered in improving the status of agriculture in this area.

1. Increasing the government subsidy payment to farmers on sugar beets.
2. Insure equitable competition between foreign sugar producers and domestic sugar producers.

Programs currently in operation that have been successful in rural development are:

1. Multi-low cost housing.
2. Family planning clinic.

3. Vocational training centers.
4. Subsidized employer training program.
5. Neighborhood Youth Corps Programs.

The above programs have been fairly successful in eliminating poverty in our area and in turn contributing to positive rural development.

More emphasis has to be given to on the job training by employers subsidized by government. This is one program where the administration costs are kept at a minimal figure in relationship to other federal programs.

Most of the items mentioned have to do with things the government should be doing. To be successful all the training programs must instill in the individual job appreciation and the desire for continued improvement.

STATEMENT OF DR. CHESTER H. GAUSMAN, CENTRAL NEBRASKA TECHNICAL COLLEGE, HASTINGS, NEBR.

INDUSTRIAL DEVELOPMENT IN RURAL AMERICA

Vocational-technical education in the technical colleges of Nebraska is a major factor in the industrial development of this State. What is happening in one area of the State, in the field of technical-vocational education, can be identified by the progress story of Central Nebraska Technical College at Hastings.

The College began operation in 1966, at the former Naval Ammunition Depot, with an initial enrollment of 196 students in September of 1966. Since that time the College has grown so that during the calendar year of 1970–71 a total of 2,279 students enrolled. The predicted total enrollment for the year 1971–72 is 3,027.

The College offers programs of instruction in 32 occupational areas, including the broad categories of agriculture, health, industry, business & office, and service occupations. The College boasts of being a Nebraska College for Nebraskans, in that fewer than 2% of the total enrollment of the college comes from out of the State.

The college is supported by a twenty-county area with a local tax levy of 1.92 mills for fiscal 1971–72. The local tax provides approximately 59% of the total cost of operations. State support and tuition accounts for approximately 33%, and federal and other sources the remaining 8%.

The impact of the College on the industrial development of the area can be analyzed by a brief report of the students who completed courses of study at the College for the 1970–71 year. A total of 452 full time students completed their programs of study during that year. Of this total, 92% found immediate employment, entered the military service, or continued their education at four-year colleges. Five percent continued their education, 8% entered the military, and 81% took immediate employment. Of the 336 full time students who found immediate employment, 275 or 82% found employment in the twenty-county area; 312 or 93% found employment in Nebraska.

These students were employed in many types of opportunities. Some of the major industries of the Central Nebraska Area employing graduates were: New Holland, Grand Island; Mason-Hanger, Grand Island; Holiday Mfg., Alda; Dale Electronics, Inc., Columbus; Douglas & Lomason Co., ,Columbus; Becton, Dickinson & Co., Holdrege & Columbus; Behlen Mfg. Co., Columbus; Monroe Auto Equipment Co., Cozad; Hastings Industries, Inc., Hastings; Western Land Roller, Hastings; Baldwin Mfg. Co., Kearney; Eaton Inc., Kearney; Rockwell Mfg., Kearney; Meat Animal Research, Clay Center.

In addition to the full time course offerings, 94 evening classes enrolled 1,045 part time students in programs that upgraded employees in their present occupations.

To insure that the programs of the college meet the needs of the area, a research project is now in progress which will provide a computerized county by county analysis of jobs. A 33⅓% sampling of all employers in the twenty county area is being made. Objectives of the project are:

1. Provide information on job opportunities in the area.
2. To stimulate educational programs at the college to meet these job requirements.

One of the major problems facing all institutions of vocational-technical education is encouraging high school graduates to enroll in occupational education.

Central Nebraska Technical College has been reasonably successful in this endeavor as indicated in its continued growth pattern. The college is now engaged in an exemplary program with federal assistance that provides super 8 mm films and accompanying tapes taken directly from business and industry showing the types of jobs that people are actually doing, along with verbal explanations of the skills required.

The objectives of the program is to provide up-to-date occupational film-tape libraries for each of the 86 high schools within the district. This program provides each student with an opportunity to study occupations at a time when he is making decisions relative to his future.

Central Nebraska Technical College provides programmed individualized instruction to each of its students. Students may enroll on any day and complete their education at any time during the year. This provides industry with a continuous flow of graduates throughout the year, rather than only at one specific time. Students proceed at their own rate providing opportunity for students of varied ages, educational backgrounds, and skill capabilities to receive an occupational education tailor-made for the individual student.

STATEMENT OF H. L. GERHART, JR., PRESIDENT, FIRST NATIONAL BANK, NEWMAN GROVE, NEBR.

It seems logical that the most effective and far-reaching type of rural development would be a program involving rural bank participation. Practically every small town has a bank and that bank is vitally interested in the development of its town. That banker has a broader understanding of that community than some employee of a far-off bureaucracy.

It should follow, then, that the rural development bank should help the rural bank help his community. High-risk credit is necessary to induce industry in small towns which are usually not attractive to General Motors, Ford, United States Steel, and other industries of that type. They must instead depend on smaller higher-risk type industrial prospects. It is here that the rural bank needs help from the rural development bank to guarantee and participate in industrial loans generated by the rural bank.

Parks, community facilities, etc., are fine, but the basic problem is to get industry and jobs to replace those jobs being lost in rural communities as farmers leave the land. Our Independent Bankers Association Sub-committee is presently in the process of studying the Rural Development Bill. There is some concern among bankers that this may set up another Farm Credit System type bureaucracy which would compete with rural banks rather than supplementing their efforts to attract industry. There are several sections of the bill which we think need some changing and are currently conferring with Mr. Baker who assisted in drafting this bill.

STATEMENT OF LEWIS E. HARRIS, PRESIDENT, HARRIS LABORATORIES, LINCOLN, NEBR.

It seems unrealistic to devote efforts at our agricultural colleges in promoting better yield from crops, better varieties and improved nutritional value of such crops. We are now producing more crops than can be used and could, of course, produce a much larger quantity if acreage restrictions were to be removed.

Therefore, it is my opinion that emphasis should now be placed on two areas. First, the development of processes to convert agricultural products into other marketable items and, second, the need to stimulate establishing highly diversified manufacturing operations in the rural communities.

We cannot, of course, completely ignore the need for improvement of agricultural production but this is of little value unless we find ways to export more of these products or develop means of utilizing them in non-agricultural areas.

Therefore, I would propose that some of the funds now being utilized for the space program and the military areas be diverted to applied research in agricultural product and bi-product utilization. Further, all industries should be encouraged to devote some of their energies in agricultural research by some type tax credit or other incentive.

STATEMENT OF FLOYD D. HERMAN, WILBER, NEBR.

Honorable members of the committee: My name is Floyd D. Herman of Wilber, Nebr., farmer, bank director, and long time director of many of the largest regional and inter-regional cooperatives in the U.S.A.

I present this material with a feeling of frustration and futility partly because of the refusal of a majority of people to honestly face up to the realities of the problem. The following material and comments are not made with the intent to criticize or malign any individual or party but to honestly present the problem as I see it.

The deterioration of our rural areas is the payment exacted for creating an imbalance in the payment to farmers in order to insure cheap food for the consumer. President Abraham Lincoln and the Congress launched the prime policies which led to the conditions which now exist in rural America. The homestead Act and the creation of the land grant colleges with the tax supported experiment stations and the extension service, dedicated to an ***abundance*** of ***cheap food*** carried on to this day with no attempt to modify or bring into balance the ability to produce and the ability to distribute and consume, are the prime factors leading to the bankruptcy of rural America.

Orville Freeman, while Secretary of Agriculture, in several speeches which I heard said that Americans were spending 17½% of their income for food and that by 1970, it would be 17% (I saw a figure of 16½% recently) and that this meant that the average consumer would have about $240 to spend on other things such as vacations, motorboats, TV's etc. During this same time the average farmer was producing enough food for himself and 35 other people. He now is producing enough food for himself and 45 other people. This 10 person increase in his productivity multiplied by the $240 decrease in the consumer's food bill amounts to a $2400 subsidy paid by each farmer as his REWARD for his increased efficiency. Yes, these are phantom dollars which the farmer never sees! This efficiency is developed and promoted by the Land Grant colleges and the extension departments and insured of success by the pressure upon farmers to produce more for less in order to increase the flow of dollars to try to keep from going broke.

This outmigration of newly created wealth, without adequate compensation, from the rural areas is directly responsible for the outmigration of rural people. Let us look at the Farm Credit System. E. A. Jaenke, Governor of the Farm Credit Administration, at a recent meeting in Fort Collins, Colorado, announced that the Farm Credit System's farmer-owners and their farm cooperatives borrowed $13.6 billion through the system during the 12 months ending June 30, 1971, an increase of 19.3% from a year earlier. He also announced that loans outstanding from the system at June 30 totaled $16.1 billion, an 11.8% increase from the year earlier. Commenting on the increase in the Farm Credit System lending, he said, "reflects a combination of factors, including increased use by farmers of more purchased inputs, higher prices due to inflation, a resurgence of lending postponed by last year's high cost of money and the continuing substitution of capital for labor in agriculture." Nothing in this statement explains the $16.1 billion outstanding which can only be the inability of farmers to pay back their borrowings (with interest) with the prices they receive for the ***cheap food*** they produce for the consumer. H. W. Cox, President of the Omaha Bank for Cooperatives came closer to the facts when he wrote to the borrower local coop managers and directors the following: "We are particularly concerned about accounts receivable at this time for two reasons. First, the increased acreage planted to row crops, coupled with the high cost per unit of agricultural chemicals, has greatly increased your exposure to each patron. This requires constant surveillance of your accounts during the peak sales period and might even suggest a request for payment before the patron reaches the cut-off date in your credit policy. Second, many farmers have over-extended themselves and are unable to arrange for adequate credit through customary channels. Part of this is a result of *low hog prices* and an unfavorable corn-hog ratio during the year. We have an indication from lenders providing operating capital to farmers that the quality of their loans is not as good this year as in the past because of this fact." End of quote. I should like to point out that in addition to being proof positive that the farmers are in a severe financial position with $16.1 billion of loans outstanding to the Farm Credit System alone. The $13.6 billion of current borrowings requires an interest payment presently of about 6% (6.1225% for the last debentures sold about August 1, 1971) or $816 million for the interest which leaves the rural community as a consequence of the Farm Credit System's *help* to the farmers. A rural development bank, Mr. Chairman, would make a like contribution to the outmigration of dollars from rural America. The opportunity for satisfactory net margins must be present before money can become a factor in successful management. Governor Jaenke, like other "members of the establishment", avoids in his report and public statement any mention *to the way it is*, which is that the 70% of parity imbalance in the prices farmers are receiving and have received for many years is why they are borrowing themselves deeper and deeper into debt. The Farm Credit System can be a helpful tool if the farmer receives an *adequate price*, but where the farmer is restricted by *national policy* to 70% of parity, he cannot pay for borrowing money.

Marvin Russell, editor of the Nebraska Farmer, in an interview with Clarence Palmby, Under-Secretary of Agriculture, asked: "Doesn't the likelihood of a tremendous feed grain crop this year put us under the threat of disastrous surpluses and consequent ruinous prices?" Palmby's reply was that the set-aside payment can be placed higher at the same time the set-aside acreage is increased. For instance, the guarantee to the farmer might be set at $1.50 (instead of this year's $1.35) on the normal yield from half his corn base. That $1.50 was the figure used by Assistant Secretary Palmby in illustrating to us what could be done—it's not to be taken as official because there are many things to be considered before the final decision is made. However, Palmby said: "We have the *authority* to increase the set-aside, and we have the *money to pay for it*". The above is proof of farm prices being administered in Washington and the fact still remains *Cheap food* still comes first.

Mr. Chairman, in a speech in Omaha, Neb. at a Democratic rally during the 1968 campaign, you said that it takes an average of 13 years from inception to realization of significant legislation. It seems that you and your committee have in mind this kind of legislation in the holding of these hearings, and I want to say forcefully that neither we farmers nor the nation can afford to wait 13 more years for the correction of the rural problem. We do need the establishment by Congress of a strategic reserve of adequate food supplies so that the department of agriculture can be at liberty to more closely gauge the production requirements and keep in closer balance supply and demand. We already have the legislative machinery to price agricultural commodities in balance with the rest of the economy, Congress must take steps to force the Bureau of the Budget and the rest of the Administrative branch of the government to establish full parity as the only answer to the outmigration of rural people and the ultimate deterioration of rural America and finally America itself.

It's later than you think! Here in Nebraska, we have not only been mining our soils of fertility and replacing only some of it (without any depreciation allowance) but we are also mining our water supply at an alarming pace. Neither the Corps of Engineers nor the Bureau of Reclamation sees fit to help even with the salvage of runoff water which would help to replace some of the ground water and also lessen the demand upon ground water usage. When the water is gone, Nebraska will be the desert which it was called when it was first explored.

Rural America is losing faith in our political system and the apparent indifference of either party to its plight. It is becoming increasingly difficult to band people together for any reason. These are the beginnings of anarchy in rural America.

I have not gone down the side roads that this material passes because I feel you are intelligent men and can see the markings as you read by. I would, however, welcome any opportunity I might have to expand my observations of the causes for the deterioration of rural America and to point out ways to reverse this tragic situation. Thank you.

STATEMENT OF ROBERT B. MACKEY, DIRECTOR, NEBRASKA INDIAN COMMISSION, LINCOLN, NEBR.

Nearly 200 years of American History shows that the status of the American Indian has remained relatively unchanged.

The whiteman began taking the Indian's lands from the time of the Pilgrim's landing at Plymouth Rock some 350 years ago.

Varying degrees and methods of genocide was practiced including outright killing of men, women, and children to Treaties which were designed to separate the Indian from his Lands. Land Allotment Act of 1887 also designed to take Indian Lands, isolation on miserable Reservations, removal of the Indian children from their homes and placed in government Boarding Schools where the children were forced to surrender their Indian culture by threats of extreme discipline, relocation programs by removing entire Indian families and dumping them into huge metropolitan areas with no followup program or transitional orientation, and finally Termination was attempted by the Federal Government to avoid its responsibility for the Indians, by continuing a plan to make the Indian into a white.

Today, the Indian's status is the direct result of this deliberate act of suppression, discrimination, brutality, and denial of first class citizenship, here in the State of Nebraska.

There are over 14,514 Indians living within the State of Nebraska, representing the Omaha Tribe and Winnebago Tribe in Northeast Nebraska in Thurston County, and the Santee-Sioux Tribe in Knox County, and those Indians living in off-reservation communities and metropolitan areas.

There are only 2,244 Indians residing upon the three reservations, occupying approximately 50,000 acres of typical, isolated, desolate, and unproductive lands. There are single ranches that have 50,000 acres or more operated by white, single families. The rest of the Indians are forced into involuntary relocation to nearby communities, to rural off-reservation areas, and into metropolitan areas. The Government Policy will not allow survival assistance to these Indians who had to seek an existence off of the reservation and are apparently regarding these off-reservation Indians as being less Indian by having had to relocate to survive in the ghettos of the towns and cities where he cannot compete with the white man for jobs other than entry level jobs and in most cases at lower wages than a white man doing the same task.

The Indian is handicapped because he has not been educated or trained adequately in government schools and public schools. The Indian is at a disadvantage because he does not have adequate housing. The Indian cannot compete because of limited medical and dental care which has reduced his life expectancy to some 40 years of age, and the Indian does not have any Legal Services that can meet his needs in the courts and he winds up paying unusually high fines for misdemeanor offenses or serving unrealistic jail terms whereby white offenders never reach the courts in most cases. There is a law on the Nebraska statutes which amounts to an Indian Bounty Act as it allows the Thurston County Sheriff to collect $2.50 a day for each Indian prisoner who is fed in his County jail, from the State of Nebraska. The Omaha Tribe of Macy, Nebraska in Thurston County have been forced to seek "Retrocession" placing the Federal Government in the position of Law Enforcement over crimes committed by Indians on Indian Lands also located in Thurston County are studying the possibility of seeking "Retrocession."

There are federally funded programs in all areas where Indians live, whether it be in the reservation areas or in the towns and cities and outside of Headstart Programs, there are no specific programs designed to meet the many needs of the Indians nor will any Indians be found in staff positions where he might be involved in policy making or decision making for his own kind of people who have unique characteristics and behavioral traits that are peculiar to Indians, the most important of these is the Indian Value System that the non-Indian does not understand or take into consideration. Unfortunately, most of these federally funded programs are staffed by incompetent political hacks who in most cases do not have the capability to initiate appropriate anti-poverty programs for the Nebraska Indians.

During a recent survey of monies coming into the State of Nebraska for the services to the three Indian reservations indicated that for the fiscal year 1971 the Bureau of Indian Affairs budget totalled $1,508,000 and the Indian Health Services (U.S. Public Health Services—Winnebago) revealed a budget which totalled $1,405,000. In addition to this there are probably over $6,000,000 in grants and programs from Health-Education-Welfare, Housing and Urban Development, Economic Development Administration, and other federally funding sources.

With all of the above identified funding sources and programs for 2,244 Reservation Indians in the State of Nebraska, there is still the need for major Housing Programs for Indians on all three reservations as well as those Indians living in off-reservation communities, in Western Nebraska, and those living in the metropolitan areas and are excluded from all services by the Bureau of Indian Affairs, there is a need for a realistic welfare program to offer supportive services to those Indians who live off of the reservations in voluntary relocation, seeking a better life and have yet to find this dream, there is a need for a total medical-dental program to meet the care to enable the Indian to live longer than 40 years, there is need for an Educational-Training program to be competitive in Industry, there is a need for equal employment opportunities, and there is a need for a comprehensive legal services program to meet any legal assistance necessary to permit an Indian a fair day in court.

It is recommended that all of the State and Federal Agencies and Resources be mobilized into a task force and coordinate a plan of action involving the Indian community and bring about the provision of housing, medical-dental care, education-training, employment projects, and legal services.

The Indians of North America and Alaska have paid too great a price to be denied these survival-support services by the Federal Government who have the responsibility through countless Treaties with the American Indians in exchange for valuable lands and minerals which once provided for all of the Indians needs and now relegated to Political Prisons called Reservations where the diabolical plan is designed for the Indians extinction.

(The attachment is as follows:)

Attempted review of dollars expended in northeast Nebraska primarily among the Omaha, Winnebago, and Santee Sioux Tribes

1. The Winnebago Indian Agency (Serves three tribes):	
Fiscal year 1971:	
A. Education	$464,000
B. Welfare	347,000
C. Housing	226,000
D. Employment assistance	41,000
E. Law and order	117,000
F. Forestry	27,000
G. Soil and moisture conservation	63,000
H. Maintenance of roads	41,000
I. Management of property	39,000
J. Repair of buildings and utilities, BIA	59,000
K. Business development program	28,000
L. Major alterations	15,000
M. Road construction	95,000
Total	1,508,000
2. Indian Health Services (USPHS Hospital—Winnebago):	
A. Health	1,176,000
B. Construction of Facilities	229,000
Total	1,405,000
3. CAP Agency at Walthill, Nebraska (Serves the five-county area)	650,000
4. Johnson-O'Malley Educational Funds for Indians	464,000
5. HUD (Housing Authority program under review)	1,821,000
6. Public Law 185:	
A. Omaha Macy School	800,000
B. Winnebago School Grant	1,500,000
Total	2,300,000
7. An Industrial Plant Loan from the Small Business Administration	150,000
8. Winnebago Multi-purpose Community Center:	
A. Economic Development Administration	224,500
B. HUD	673,500
Total	898,000
9. Home Improvement Programs	63,000
10. Head Start Program	11,000
11. Santee Cap program	25,000
12. Santee School Grant	15,000
13. Four Santee Water Wells	12,500
14. 36 Santee Housing Units	718,824
NOTE.—A. Reservation population:	
Omaha	1,100
Winnebago	877
Santee Sioux	247
B. Total Nebraska India Population	14,000

STATEMENT OF DR. PAUL H. GESSAMAN, EXTENSION ECONOMIST UNIVERSITY OF NEBRASKA, LINCOLN, NEBR.

Rural development has rapidly increased in prominence in the recent past. In part, interest in rural development has been based upon concern for the general well-being of about 65 million people living in nonmetropolitan America. Additionally, recognition of the relationship between the problems and unrest of the cities and the technological displacement of millions of agricultural workers has focused attention upon identifying alternatives to the continued rural-urban migration. Simultaneously with this belated recognition of the extent of problems accompanying continued migration to the cities, we have begun to recognize the associated problems occasioned by depopulation of rural areas. The crisis in supplying public and quasi-public services in rural areas has dramatized the disparity between the amenities of life available in urban and rural areas.

Rural development has been primarily concerned with providing improved employment opportunities, improved levels of income, and improved quality of life in rural areas, i.e., making the rural areas a better place in which to live. Activities to improve these aspects of rural life have included many industrial development efforts designed to provide off-farm employment for underemployed and unemployed rural workers. In some instances, these efforts have been successful. In many other cases, the industries so eagerly sought by rural communities have been marginally viable and have often produced external effects detrimental to the community or surrounding area. In some circumstances, the total effect has been negative with somewhat improved employment opportunities and incomes achieved at substantial public cost and (sometimes) degradation of the environment.

Government programs contributing to rural development efforts are numerous. In a January 1971 compilation based on the *Catalog of Federal Domestic Assistance*, Extension Service (USDA) identified 70 non-USDA federal programs which were considered primarily applicable to nonmetropolitan areas. Some of these, such as EDA grant and loan programs or the Hill-Burton program for construction of health care facilities, are directly applicable to rural development. Others contribute indirectly, or not at all to rural development efforts. A substantial portion of USDA programs can be identified as rural development oriented (using as criteria the contribution of the program to improvement of employment opportunities, levels of income, and the quality of life in rural areas). However, these programs taken singly or in combination have not proven adequate to stimulate rural development where and when it is needed.

Numerous legislative proposals related to rural development are currently before Congress. Three major pieces of this legislation are President Nixon's program of revenue sharing for rural development, his proposal for governmental reorganization, and the proposal introduced by Senators Humphrey and Talmadge for establishment of a rural development credit system. The last of these proposals also calls for substantial reorganization of some USDA functions.

While no definite action has yet been taken on these three major items of legislation, it now appears that the probability of their passage in present form is extremely low. Some members of Congress, substantial numbers of voters, and many government agencies are far from enthusiastic over revenue sharing and governmental reorganization. The administration has provided testimony strongly critical of the rural development credit system proposal. Hearings and debate in Congress will provide the forum for adjustment and compromise on these and other proposals.

A number of factors can be identified which have contributed to the less than spectacular success of rural development efforts. Foremost among these has been a lack of agreement among practitioners and agencies regarding what rural development is. This controversy is not yet resolved, but indications are that increased emphasis will be placed on updating their decision-making framework to enable rural people to make better individual and group decision. Any educational program required for such a transformation would, of necessity, be long term, and would require substantial commitment of resources. (As a person directly involved in education, I hope that this statement is a realistic appraisal, not just wish-fulfillment.)

Commercial agriculture has not yet indicated its acceptance and support of rural development. As a group, those persons engaged in commercial agriculture have not supported rural development efforts, perhaps because they do not want to vie for land, labor, and capital in the competitive markets which would be by-products of successful rural development. Additionally, they may fear the loss of control over local affairs and governments if nonfarm population increases as a result of rural development. Without rural development the deterioration of social and economic systems and the decline in public services resulting from depopulation may cost commercial agriculture more in the long run any conceivable changes in factor market prices.

Only limited developmental progress is possible regardless of the availability of government programs if a community or group of communities (or even a state) is alone in its efforts. In the absence of national policies to promote investment in employment deficient areas, to reduce the barriers of inequitable transportation costs where these exist, and to equalize opportunities for adequate levels of income, rural development efforts will be of less than desired effectiveness. Efforts on a regional basis directed toward the development of a broader frame of reference for decision-makers could serve to reduce rivalries and promote the development of a regional sense of identity. Regional efforts to secure favorable governmental policies and to secure industrial developments beneficial to the region would almost certainly be more successful than the more localized efforts presently being carried out.

Congress, through its inclusion of Title IX in the Agriculture Act of 1970, recognized the need for a more effective means of rural development. Section 901(a) of Title IX states:

"The Congress commits itself to a sound balance between rural and urban America. The Congress considers this balance so essential to the peace, prosperity, and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas."

In addition to this declaration designating rural development as a national policy concern, Congress also set up provisions for regular reporting of the impact of governmental actions on the development of rural America.

The National Goals Research Staff in their report entitled, *Toward Balanced Growth: Quality With Quantity*, suggests that movement toward balanced growth can be achieved by replacing programs of low social worth with those of higher social value. As the report goes on to point out, balanced growth will not come about from a single policy formulation. It will instead result from a collection of policies directed toward satisfaction of the quantitative and qualitative desires of our population.

Rural development is one aspect of that collection of policies. If rural development is effective on a nationwide basis, it will be because the American people, the Congress, and the Executive branch of government choose to carry out the commitment spelled out in Title IX.

Effective rural development will result in increased nonfarm population with resulting competition for all resources including land. In many areas it will accelerate the process of urbanization of the countryside, and will provide an adequate population base upon which to base many of the amenities and services desired by rural people. But, the increased rural population will result in conflicts in land use, the dilution of political power of those engaged in commercial agriculture, and the demise of many social structures and institutions held over from the "good old days" of the past. Hopefully, it will also being permanent relief from the privations and deprivations presently experienced by a large proportion of our rural population.

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U.S. Congress, "Title IX—Rural Development", *Agricultural Act of 1970*, November 30, 1970.

STATEMENT OF WILLIAM R. SIMPSON, PRESIDENT, DALE ELECTRONICS, COLUMBUS, NEBR.

As a Nebraska employer in a small town for a number of years, I have had an opportunity to experience the rural problem in maintaining adequate growth through available jobs. Our personal growth in the last ten years has tripled to a Nebraska employment of just under 2,000 people. We have actively participated through state and community organizations in interesting other industries to locate in Nebraska. We are emphatic about the availability of highly intelligent and trainable rural Nebraska people and believe we have sufficient other experiences to verify it.

There is little reason for me to go into the migration problems faced in rural communities due to shifts in agricultural production, nor the fact that Nebrakans have expended considerable sums to highly professionalize our children for which there is not a comparative job opportunity within the state. I am sure that there are people who can statistically make these points more dramatic to you than I can.

However, I feel a point historically missed is the effect of World War II and the ensuing technological pursuit combined with the changes in agriculture has had on rural middle states. These past three decades have seen an unconscious subsidation of industrial growth through government procurement to coastal states that was not equaled in the middle states. The government has been such a major influence through its procurement that any natural industrial development that may have occurred in the middle states was distorted.

The continuing migration of people from a rural to urban area is a needless added cost to society, multiplying the urban problems, taking people out of their natural productive environment and placing them where they become a burden rather than a contributor. Such large movements of people as we have been experiencing does not stem from deep-rooted voluntary acts but from economic pressure.

Statistics I have seen indicate that an 83,000 adult labor force will be made available in Nebraska through this decade (U.S. Department of Labor.) This figure takes into account agricultural displacement. U.S. Department of Commerce figures show the productivity of Nebraska people. The per employee value added in manufacturing is 10.9% above the national average. For every $1.00 of payroll of all U.S. industries, the value added is $1.98 as compared to $2.38 for Nebraska on the average. It would be a social shame to force these people from their natural productive environment into an instable condition not of their need or real free choice.

The obvious answer is to provide new industrial job opportunities in replacement of the disappearing farm occupations.

Government agencies appear to be almost exclusively concerned with solving urban transportation problems. I can appreciate the engineering challenge but we might better solve the problem by better spreading industrial job opportunities. We then only have to improve our product to market capacity. A much easier problem.

From my observation rural America has been continually faced over the past two decades with a deteriorating transport system at extreme increased cost. I am sure the committee knows that even during an every year known occurrence we have not been able to procure adequate service for our agricultural products.

Assistance in the area of improved market transportation would be substantial value to the rural areas. This may take the form of more equitable substantive programs or freight rate changes. I believe both should be considered. This could provide some immediate incentive for industrial development in the rural areas. Rural problems should be considered a part of the total transportation issue with which Congress has been tusseling.

Another immediate major assistance could come in the form of increasing the $5 Million industrial revenue bond limitation to $10 Million. This is needed from two view points. Extensive inflationary cost increases in construction for which the bonds are utilized, plus the fact that manufacturing facilities utilizing our agricultural products require high capital investment.

There may be several other methods that would encourage local and industrial development. Manpower training programs are fine, but provide little total solution without good market availability and substantial inducements to provide a job in the first place.

We in the middle states deeply appreciate the Senate's interest in the problem presented by the evolution of the economic structure of our country that has so dramatically affected our natural growth. It would seem that a much greater concern and encouragement of growth in rural America through the introduction of industrial occupations would eventually aid in solving many problems faced in other areas and would at least possibly stymie increased pressure of the urban problems.

Your consideration of this statement is much appreciated. Thank you.

ALLIANCE, NEBR., *September 10, 1971.*

Senator CARL T. CURTIS,
U.S. Senate, Washington, D.C.

DEAR SENATOR CURTIS: I am in receipt of your letter dated September 2 ,1971. I would be most happy to give you some of my ideas on developing rural areas. Since Alliance's economy is based primarily on agriculture and the income of our farmers and ranchers pretty well dictates business growth, I definitely feel something should be done to promote job opportunities in Alliance and other towns who have the same type income structure.

One of my ideas, and I'm sure it is not an original thought, is decentralization of our Government facilities and disperse them into our rural areas. If, for instance, an act of aggression was waged against us by a foreign power and Washington was on the receiving end of an armed attack, all our records and data could possibly be destroyed in one small period of time. If these offices were decentralized this could be averted. With our communications systems being as efficient as they are today, none of these facilities would suffer from not being within "walking distance" of each other.

It is also a thought that the Government could be more helpful in furnishing financial assistance for on-the-job training and/or vocational education.

Last but not least, I think something should be done about our welfare programs. People on welfare should be required to do something productive for themselves and for the community in order to qualify for their welfare payments.

I hope the ideas I have mentioned above will be of some help to you and the committee. If you should be in need of additional information, please don't hesitate to contact me.

Sincerely,

R. L. CHADWICK,
President, Alliance Area Chamber of Commerce.

STATEMENT OF PAUL R. JOHNSTON, EXECUTIVE SECRETARY-TREASURER, NEBRASKA LIVESTOCK FEEDERS ASSOCIATION, SCHUYLER, NEBR.

The Officers and Members of the Nebraska Livestock Feeders Association appreciate very much the opportunity of submitting a statement relative to the development of Rural America. The livestock feeders of Nebraska are vitally interested in maintaining a rural economy and atmosphere that is conducive to growth and prosperity.

Livestock Feeders are basically strong willed individuals with the pride of freedom of development in their systems. They feel that *PRICES* are the basic element in developing the rural economy and keeping people in the rural areas.

Why do people leave the rural areas? They leave for the high wages and security of the urban areas. They leave because of low wages and the uncertainty of the farms and small towns.

We definitely do not want government handouts. Welfare for rural areas is not the answer as it has been so plainly proven in the urban areas. Another thing we do not need is a new bureaucracy designed to "Help" the rural area. In these cases the only ones that are helped are the employees of the bureaucracy.

On the positive side we will list some items that need the support of our Federal Government:

1. Continue to support the institutions that have been proven worthy of their responsibilities, such as; the Land Grant Colleges, the Cooperative Extension Service, the Soil Conservation Service, the Farmers Home Administration and REAP funding. Keep these programs funded fully and in some cases these should be increased.

2. Create a good economic climate in the rural areas to encourage agriculturally related industries to settle in rural areas where the source of supply exists. Then, encourage these industries to completely process their product at this same rural site. In some cases unions may have to be legislated in order to allow this to happen.

3. The government must exercise every available effort to stop runaway inflation. No segment of the economy is affected more by inflation than the agricultural community. The price-wage freeze is a start. The Legislators should see that positive anti-inflation measures continue.

4. Support higher prices for agricultural products. This can be done without controls, etc. It can be done by supporting legislation that is not detrimental to the agricultural producer. All legislators and governmental officials *must* stop their concept and thinking that food must be held down as the lowest priced commodity offered to the people. Food must be kept in perspective with the rest of the economy. Profit-taking between the farm and the consumer should be under a constant surveillance.

5. Urban legislators must be convinced that they are helping their own urban areas when they help the rural areas. If the rural people are driven to the city anticipating better jobs and wages it only complicates the urban problem. The Federal Government is no place for men with selfish interests. The country as a whole is at stake. If one segment of the economy is sick, the entire country will feel the effects.

For example, support the investment tax credit. This will be extremely helpful to our farmer-feeders in the purchase of new machinery, needed so badly.

6. There is a situation in the agricultural area that could end the free flow of abundant food in the United States. This one item could spell disaster to the United States. This is the unethical tactics under the guise of a union for agricultural workers. It is strange that the methods, employed to force both workers and producers to do what they do not want to do, can continue to exis in a free country such as the United States. All the forces of our entire government should be employed to stop this cancer before it spreads to all segments of agriculture. Right to work laws must be passed and enforced and the Government must provide ways to stop secondary boycotts of agricultural products.

CONCLUSION

Again the Association expresses its gratitude for allowing us the opportunity to place our views before your sub-committee. We recognize the monumental task that lies ahead for you. We trust that unselfish wisdom will prevail.

STATEMENT OF CYRIL P. SHAUGHNESSY, ATTORNEY FOR THE TWIN LOUPS RECLAMATION DISTRICT, ST. PAUL, NEBR.

Mr. Chairman and Senator Curtis: My name is Cyril P. Shaughnessy of St. Paul, Nebraska. With me are Mr. Henry Lange of Ord, President of the Twin Loups Reclamation District, and Mr. William Schudel of Ord, President of the Twin Loups Irrigation District.

I have lived all of my life in Howard County, Nebraska. When my father moved to Howard County by horse and wagon in 1900 to sell Watkins products at farm homes, there were already over 10,000 persons in the County. Most of us today look back to that period and think of that era as the pioneer age, but today, there are less than 7,000 persons in this County. From 1910 to 1960, we have experienced a steady loss of population; but from 1960 to 1970, we finally leveled off and actually gained about 300 persons. Those of us intimately associated with this area realize that the construction and operation of the 50,000-acre Farwell Irrigation project is the principal reason we have stopped our population loss. For 6 years now, this project has increased business in the local area and in the State by more than $25 million each year. Sherman Reservoir provides recreational opportunities previously unavailable to persons living in this area. We believe Howard County has indeed been fortunate to have such a Federal project.

Let me add, however, that several other central Nebraska counties are faced with a rather bleak future unless we are able to authorize, construct, and operate some of the multiple-purpose projects.

We recognize that most of the Nation's large industries, great service facilities, and learning centers are located in our larger cities. We find no fault with this, in fact, we believe this is how it will continue to be for a long while.

But, we do feel that we, too, as contributing to our Nation by supplying the food needed by all those tens of millions of persons who live and work in our cities. To continue to supply unlimited varieties and quantities of food, we, in the rural areas, must somehow share in the prosperity that is apparent in other parts of the Nation.

We, of central Nebraska, believe there is a method to help not only Nebraska business, but industry located throughout the United States. This method is to provide legislation to authorize and funds to construct our needed water resources projects.

We have an inventory that includes thrifty and industrious people, inherently fertile farmland, and millions of acre-feet of unused water. Harnessing of these into a coordinated team will allow the experienced farmer already living on the land to produce enough year after year to support his family.

This is not a purely selfish wish—we know from a study by the University of Nebraska that for each one dollar of increase crop production by irrigation, a total of $6.68 of new business is generated within Nebraska. Additional dollars of new business are created in other parts of the United States, but the study did not catalogue the areas or the benefits.

The North Loup Division of the Pick-Sloan Missouri Basin Program is a good example of a project that is desperately needed to help not only the farmer, but a five-county area in central Nebraska. Bringing an assured supply of irrigation water to over 50,000 acres of irrigable farmland and furnishing needed recreational opportunities would provide the same stimulus for the social and economic stability to the area as the Farwell Unit has provided for Howard County.

This year, in particular the last six weeks, provides a rather saddening example of how severe the weather can be to farmers in our part of Nebraska. Millions of dollars of our dryland crops have been lost as we have just passed a long period of almost no rainfall and several days with over 100 degree temperature.

To us, it seems wasteful for man to allow a resource such as water flow unused to the ocean while within a few hundred feet or a few miles, crops and livestock are suffering the plague of hot temperatures and seering winds. We believe authorization of the North Loup Division would be an effective way to avoid a lot of this annual loss.

Mr. Chairman, we are pleased to say that several of us in central Nebraska have underway a small study that we believe will show the tremendous social, economic, environmental benefits that irrigation brings to the people of the area. This study should be complete in the very near future, and we would appreciate your consent for us to have this included as part of the record.

We who have lived in the rural parts of America are grateful to you for the efforts you are making to allow our areas to continue to survive and to be a part of a progressive Nation.

Thank you.

STATEMENT OF MAGGIE MALLOY, LINCOLN LEGAL SERVICES, LINCOLN, NEBR.

NEBRASKA'S HOUSING PROBLEM: THE LEGISLATIVE PERSPECTIVE

The legal and legislative processes have traditionally been the vehicles by which citizens have sought, and in some cases produced, change. The whole democratic process is based on this concept. Yet when a problem such as Nebraska's housing situation reaches near crisis proportions, one begins to wonder whether the process is working.

Nebraska's legislation in housing and landlord-tenant law reflects the state's overall housing crisis: It is stop gap at best; more often it is non-existent. Of the 1042 bills introduced in the 1971 legislative session, only nine dealt with housing and tenants' rights. And the fate of those bills was pretty discouraging to tenants and other citizens in the state who are concerned about decent housing.

The most serious setback was that the legislators repealed the state's minimum housing code. But late in this year's session, LB 747 was passed. The amended version of this bill states that housing codes are now required only in communities which have submitted or are preparing a workable program—to date, only three cities in the State! In effect, this law now allows the state to ignore thousands of substandard dwelling units, and pretend they don't exist.

There were, however, two bills that did pass that should offer some relief to tenants. One, LB 190, provides for payments to persons displaced from their homes by any federal, state, or local government agency needing the land for a program or project. Lincoln tenants should now be able to receive payments for the city's Northeast Radial Project. The law covers payment for property, business, and moving expenses.

The other bill repeals the lien law. This law had required the county to file a lien on property when welfare assistance is given to aged, blind, or disabled citizens. This law was considered by many to be discriminatory and demeaning to people receiving welfare.

Aside from these two bills that passed in the legislature, other housing bills met with little success. The most noteworthy example was the Statewide Coalition for Housing's package of three bills which attempted to secure protection and rights for tenants. Two of the bills pertained to housing authorities: LB 902 was enabling legislation that permitted tenants of public housing to serve on housing authority boards without conflict of interest. LB 898 was a stronger bill that required one member of each housing authority board to be a tenant of such housing. The third bill, LB 901, created enforcement procedures for the state's minimum housing standards. These procedures would have denied landlords the use of retaliatory evictions, and would have provided tenants such rights as rent withholding in certain cases, and recourse through the courts in others.

The life of the Coalition bills was very short. All three bills were killed by the Public Health and Welfare Committee. The Coalition did make its presence felt at the committee's public hearing, and brought in tenants and representatives from various church, professional, civic, and community groups throughout the state to endorse the bills. But the testimony of the People was overshadowed by the powerful lobbying efforts of banking and real estate interests, and even the various housing authorities in the state. They were all opponents of the bills, and judging from the committee's decision, they were clearly the winners.

So what can be said about the state's housing legislation after the '71 session? In summary, Nebraska's housing situation took two steps forward with the passage of the bills to provide relocation payment and to repeal the lien law. But it took a giant step backward with the loss of the state's minimum housing standards. If such a code, and its enforcement, can be considered to be one of the basic needs to insure decent housing, then Nebraska is surely regressing.

Yet one ray of hope remains from the past legislative session. And that is the work and potential of the housing coalition. For perhaps the first time in the history of the Nebraska Unicameral, a people's group organized around a specific problem, and introduced and supported legislation that would alleviate it. To be sure, the coalition's first attempt failed. It was quite obvious that although some legislators listened [illegible] the group, they did not look upon it as an influential organization. Perhaps it was because unlike other special interest groups, the coalition has no money to make its influence in the legislature felt financially. The coalition is not motivated by business and monetary gains, but by a sincere desire to improve the state's critical housing problem. Thus, to be effective, it must find a way to inform senators of the growing dissatisfaction of low-income tenants and their supporters throughout the state, and their interest in seeing housing legislation enacted.

In the final analysis, it must do nothing less than make the democratic process work by making the state legislature responsive to the needs of the People. All power to them.

(The attachments to Miss Malloy's statement are as follows:)

HOUSING NEEDS AND UNIVERSITY RESPONSIBILITY

(Prepared by Linda Schaefer, December 1970)

The Lincoln-Lancaster County Health Department in cooperation with the National Communicable Disease Center, United States Public Health Service, did a random selected sample Community Health Survey in 1964. A resurvey was done in 1968 to evaluate progress and the changing characteristics of the City during the intervening four years. From the data collected, geographical areas within the City were stratified as either upper socio-economic, middle socio-economic, or lower socio-economic. The survey made clear that the condition of the housing within an area is a reliable index for determining the socio-economic level of a given area. Only Part I, a.-c., which deals with housing, is being quoted here.

	High		Middle		Low	
1. Community block data	1964	1968	1964	1968	1964	1968
a. Percent sound houses	94.6	91.9	57.0	36.3	22.4	14.4
b. Percent deteriorating houses	5.1	8.0	40.0	60.8	62.4	72.3
c. Percent dilapidating houses	.3	.1	3.0	2.4	15.4	13.3

The data analysis of the entire survey revealed that Lincoln's major health problems are largely clustered [illegible] he lower socio-economic areas with some overlapping into the adjoining middle socio-economic area. The survey concludes that if a lower disease rate is to be attained it seems necessary to improve housing conditions in these areas.[1]

There are several factors that are contributing to the difficulty Lincoln's low-income people find in locating adequate housing. Most low-income people are forced into a rental situation. The housing problem becomes most acute for them when an immediate transfer is desired. The vacancy rate for standard, single-family rental units which poor people can afford is estimated at 1.6%.[2] With students added to this tight market, some low-income families are forced into doubling-up in houses or living in substandard units. The vacancy rate in rental property for Lincoln in 1969 was estimated at 6%.[3] This last figures, however, includes substandard units; less than 6% are habitable.

Demolition activities in Lincoln have further contributed to a tight rental market. Fifty homes have been torn down by the City of Lincoln in the Clinton Area, which is bounded by 18th Street on the west, Cornhusker Highway on the north, 33rd Street on the east, and 'Y' Street on the south.[4] These have been removed due to plans for a new highway, termed the Northeast Radial. The University of Nebraska tears down virtually all the homes it purchases as it expands eastward.[5]

Most of the building that is taking place now is for moderate and above income families. There has been a significant number of dwellings which have been converted from single family dwellings to multiple family dwellings in order to serve the student market, frequently at the expense of the low-income market and the University has played a part in removing housing from the pool of housing usable for critical needs.[6] The expansion of Lincoln's downtown area has also removed available housing.

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[1] "1964 and 1968 Community Health Survey, A Report to the People," Lincoln-Lancaster County Health Department.

[2] Figure courtesy of Gerald Henderson, Relocation Officer, City of Lincoln.

[3] "Housing One, Nebraska State Office of Planning and Programming, November 6, 1970, p. 21.

[4] Information courtesy of Sue Scott, director of Home and Neighborhood Development.

[5] Information courtesy of Ron Wright, Assistant Director of Business and Finance, University of Nebraska.

[6] Information courtesy of Carl Kopines, Housing Administrator, City of Lincoln.

It is generally agreed upon by various groups working in the area of housing that no family should spend more than 25 percent of their income for housing; yet, low-income people frequently spend between 31–37 percent of their income to fill this need. This forces the family to make cuts elsewhere in their budget which can produce such serious side effects as malnutrition.

As previously mentioned, the City of Lincoln has begun purchasing property for the construction of a new highway, termed the Northeast Radial. Most of the purchasing has taken place in Phase I of the project, which runs from 22nd and Holdrege to 35th and Adams. A survey was conducted by Home and Neighborhood Development to find the number of families who would be affected by this new highway construction in the Clinton Area. (See enclosed area on Map No. 1 for rough boundaries of the Clinton Area.) It was found that 160 families would be affected, and approximately half of these had already sold as of the summer of 1970 when the survey was taken. These families sold at fair market value, but frequently replacement costs were higher than the price the family received from the city.[7] The city's activities in this area have contributed to the problems faced by Lincoln's poor people, as it has frozen the area in providing further rental needs and forced families to sell their homes in a situation which amounts to a loss for them. The city has done no survey to assess the total number of families who will be affected by the completed construction of the highway.

A research project was done in May, 1968, concerning the experiences of the people in the Malone Area who were involved in a relocation process due to University of Nebraska expansion. This was done by a group of graduate students from the Graduate School of Social Work, University of Nebraska. The information which follows is taken from that report.

The Malone Area was defined in the study as that area bounded by 19th and 23rd Streets and 'R' and Vine Street. Sixty-three percent of the former residents relocated within the area bounded by 17th to 33rd Streets and 'O' Street to the railroad tracks north of the Malone Area; this placed many in the Clinton Area. Seventy-one percent of those who located within that area, relocated within six blocks of the perimeter of the Malone area. Sixty-nine percent of the non-white former residents relocated in the above area. Although 52 percent of the former residents felt positive about their relocation, 45 per cent of the non-white former residents either experienced or feared discrimination. The former residents were primarily non-white, (77%). Forty-five percent of the former residents were home owners while in the Malone area, after leaving the area the percentage of home owners was 41 percent. One-third of the former residents said they would have relocated elsewhere but for a lack of funds, discrimination or difficulty in finding a residence large enough for their family at a rate they could afford. About one-fourth looked extensively for housing, many ran into difficulty finding a new residence close enough to their jobs and transportation services. Twenty-eight percent were unable to make a satisfactory move the first time and moved at least once more. Sixty-nine percent reported that they received no help in relocating.

Concerning present residents (at the time of the report), 73 percent were non-white; 50 percent were home owners. Half had negative feelings about relocating; the non-white respondents and those over fifty years of age were more likely to have negative feelings about relocation than the white or younger respondents. As with former residents, money was a factor with the present residents; the lower a person's income, the more likely he was to indicate a need for help with relocating.

There has been much discussion by Malone Community Center officials, residents, and other groups involved in this process concerning the fair market value which is paid for the homes. Many of the families had difficulty finding comparable housing elsewhere in the city; the problems multiplied for the elderly and the welfare recipients who are on fixed incomes.

A chart was drawn up for this survey of the total number of houses in the Malone Area and how many had been purchased. The total number of houses was listed as approximately 332. University of Nebraska purchases as of April, 1968, were 67; new fraternity purchases were 18; City of Lincoln purchases were 4; for a total of 89, with 243 houses remaining. Of these remaining houses, 76 were to be sold to the City, 3 were to be sold to fraternities, 88 were in areas not likely to be sold, and 76 were to be sold to the University. As of December, 1970, the University lists 58 houses yet to be purchased as well as 11 vacant lots.[8] (See Map No. 2 for area in which these purchases are to be made. This map is reprinted from a University expansion study which will be examined later in this report.)

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[7] Figures and information courtesy of Sue Scott, director of Home and Neighborhood Development.

This study has adequately documented the kinds of problems low-income people are forced to cope with as a result of the University's expansion efforts.

In 1966 the Lincoln Housing Authority received the right to participate in and receive federal assistance in public housing. It now operates a lease-rental program whereby the Authority leases from Lincoln landlords available units that meet required standards, renting them to low-income families at a rent constituting 20–25 percent of the family income, and then makes up the difference with a subsidy from the federal government. As of November, 1970, there were 1,100 units under this program; of this total, 457 were married student families, 366 units were being rented to the elderly, and 277 units to low-income families. This does not include approximately 400 units which are rented to students at the Lincoln Housing Authority, Arnold Heights (Air base). The average number of families on the waiting list at all times is 230.[9] As is evident by these figures, a major service is being provided by the Lincoln Housing Authority to the University by housing this number of student families. This can be directly contrasted to the number of units the University provides for its married student families; which comes to a total of 40 units on East Campus and 17 units on City Campus. The chart given below is provided in order to compare the units the University maintains as compared to other schools in the Big Eight.

Married apartment statistics 1970–71 [10]

Permanent units—Institution	*Occupancy of married units fall 1970—No. occupied*
Colorado	510
Iowa State	691
Kansas	300
Kansas State	596
Missouri	360
Nebraska	57
Oklahoma	757
Oklahoma State	676

Apparently the University has not as yet felt that it was necessary to house more student families, even though the number of married students on the Lincoln campuses has increased, as has the total enrollment. First semester, 1960–61, the enrollment figure was 8,261; married men numbered 1,192 married women number 341. Enrollment figures for first semester, 1965–66 were 15,217; married men numbered 2,151, married women numbered 780. Enrollment figures for first semester, 1970–71 were 20,170; married men numbered 2,911, married women numbered 1,138.[11] Most (77.6%) student families are not provided housing through the University, but are thrown out into the rental market to compete for housing with Lincoln residents; and 21.3 percent, or about 800, of the total number of student families have found housing through the Lincoln Housing Authority's lease-rent program, which was previously described.[12]

Out of the 16,121 single men and women students enrolled at the University first semester, 1970–71, 4,364 list their residences as apartment/room.[13] Students should have the right to preference the type of housing they wish to live in, as should any group of citizens. Yet, an effort must be made by the University to examine the effects of the student population to the low-income community as regards housing.

Students have forced rental rates up in situations where a group can live together in a large house, enabling the landlord to collect a sizeable rent. This creates an additional burden, because large rental houses are extremely scarce and are needed by large families. Gerald Henderson, Relocation Officer for Lincoln, has noted numerous cases where apartments were left vacant in the summer because of students who had signed contracts for the apartments but had left

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[8] Latest figures courtesy of Ron Wright, Assistant Director of Business and Finance, University of Nebraska.

[9] Figures courtesy Doris Conkel, Secretary, Lincoln Housing Authority.

[10] Big Eight University Housing Statistical Survey, Nov. 1970.

[11] Figures, courtesy Student Housing Office, University of Nebraska.

[12] "NU Meet Will Air Increases in Rent," article in Lincoln Journal, August 6, 1970.

[13] Where Students Live, report by the Student Housing Office, University of Nebraska, 1st semester, 1970–71.

Lincoln for a period of three months. Yet, this is housing that could have met the needs of low-income people.

In 1964 the University retained Taylor, Lieberfeld and Heldman, Inc., educational consultants, to undertake a detailed space study of the University, and to determine the needs to accommodate a projected enrollment of 25,000 students. Recommendations and findings from that study included these points:

1. Enrollment was anticipated to hit 25,000 during the 1970's.
2. University plans should anticipate space for housing up to 50% of the student body, not including requirements for fraternities and sororities, when enrollment reaches 25,000.[14]

NOTE: Total residence hall capacity can now accommodate 5,621 students.[15]

In 1966, Caudill, Rowlett, Scott, architects, planners and engineers, was employed by the University to implement the above program through the development of a Comprehensive Campus Planning study. Recommendations from that study include the following:

City Campus—

1. The plan shall make provision for housing 12,500 undergraduate students, should the need arise.
2. Housing for 900 graduate students will be planned.
3. Most of the fraternities and sororities will be relocated east of the proposed campus.
4. Plan for acquisition of all land necessary to fulfill the programmed requirements.

East Campus—

1. The plan will have provisions for 400 units of married student housing, should the need arise.
2. Dormitory facilities will be provided for 500 additional undergraduate students, should the need arise.[16]

The study explains that the city campus will occupy the area between 9th Street and the Northeast Radial, and between Holdredge and Q Streets. (See Maps No. 2 and No. 3). The University, through land acquisition and development, has already woven itself into the Central Business District between 'R' and 'Q' Streets. The study goes on to state that the city campus should, at the 25,000 level, contain the primary academic area, support facilities and housing for single students. The existing fraternity and sorority houses located in this area, plus the athletic facilities, will be relocated. The study suggests that the area between 'Q' Street and Holdredge, east of the Northeast Radial to 27th Street, be redeveloped as a fraternity-sorority area and a high-density residential area. This high-density residential area is to provide housing for married students, faculty apartments, and for those persons who work in the Lincoln Business District.

It is apparent that the University has and will continue to have a wide impact on the surrounding community. It must be made aware of the problems it presents to the low-income community as regards housing needs. A critical housing shortage exists now for low-income people, and the University is directly involved in this problem. A Housing Conference, sponsored by the Better Lincoln Committee, was held Nov. 19–20, 1970, in which various suggestions were made concerning the housing shortage. These suggestions included a recommendation that the University have a program to provide more housing for its married students. It is time now for the University to become a more responsible institution in the community.

(The maps referred to above are on file with the subcommittee.)

WHY TENT CITY?

Safe and decent housing is a human right. This right has been denied to the low-income families of Lincoln. Today we have chosen to live in tents because we can no longer remain silent. We have seen the University step by step destroy the entire neighborhood in its path to the east. And what do we see where peoples homes once stood and children once played? We see parking lots, fraternity houses, and empty space. The city of Lincoln has chosen to spend 20 million dollars for a highway which has already destroyed 135 homes in the Malone and Clinton areas. Neither the city nor the university has replaced the homes they have destroyed. Yet the city will eventually destroy nearly 500 homes and the Malone community center for the highway, and the university continues to expand. Where are we to go with our children? We have seen the Lincoln housing authority house over 400 University of Nebraska students while they turn away low-income families. The same university that destroyed peoples' homes and sends their students to the housing authority for assistance has built only 57 units of married housing for the more than 4000 married students. Families are already doubled up because housing just cannot be found. Landlords command high rent for substandard houses and we are forced to sign unfair leases because we have nowhere else to turn. We are trapped in substandard housing because the alternative for us is no housing. We have turned to the city for help and they gather statistics while our children grow in over crowded and decaying homes. We have turned to the housing authority for help and they tell us students are better housekeepers. We have turned to the university for help and they appoint a committee. Our situation is desperate so we turn to you, the people, for your help and understanding. We have nowhere else to turn.

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[14] Comprehensive Campus Plan, "Prior Program Development," p. 13, Caudill, Rowlett, Scott, 1967.

[15] Big Eight University Housing Statistical Survey, p. 13, Nov. 1970.

[16] Comprehensive Campus Plan, "Program," pp. 14–15, Caudill, Rowlett, Scott, 1967.

A HISTORY OF HOUSING PROBLEMS AND THE HOUSING AUTHORITY

The issue of housing for low income people in Lincoln became an official government function with the creation of the Lincoln Housing Authority on June 3, 1946. The city council passed on that day a resolution stating ". . . that the city council finds (a) that unsanitary and unsafe inhabitated dwelling accomodations exist in the city of Lincoln and (b) that there is a shortage of safe and sanitary dwelling accomodations in the city of Lincoln available to persons of low income at rentals they can afford . . ." The expressed purpose of the authority was to construct both temporary and long range low cost housing. The Authority's first function to this effect was to secure 12 surplus trailers to use as stop gap housing.

The Housing Authority took over the operation of several types of housing at the Air Force Base after a contract was entered into between the U.S.A. and the city of Lincoln on Sept. 3, 1946 turned over federal housing to the city. This agreement required that veterans should have priorities in housing. For several years the University of Nebraska operated a number of housing projects at the base, and on Nov. 30, 1949, turned over such projects to the Housing Authority. This agreement set forth certain priorities for married students, faculty, and administrative personnel.

On April 24, 1950 the city entered into an agreement with the Housing Authority, under which the Housing Authority purchased from the city all of the buildings in several Base housing projects for $116,070.00. Among the buildings purchased are those in the area known as "Huskerville". These units were used at that time to house only people with an emergency housing situation.

Meanwhile, the Congress had passed the Housing Act of 1949, which provided for financial assistance from the Federal Government to the Housing Authorities for the construction of public housing. The Lincoln Housing Authority at that time, believed that a Public Housing project was necessary if adequate housing was to be provided for the low income families of Lincoln. The City Council apparently agreed. An application for a reservation of 700 low rent public units was prepared and approved by the City Council on Sept. 26, 1949. But, the powers that be in Lincoln did not approve of the plan for Public Housing, and they, as now, were able to prevent the construction of much needed Public Housing.

Early in 1950, a group of Lincoln realtors approached the City Council and promised to construct low income housing with private funds if the Council would reverse their decision. Lincoln Housing Inc. was formed in March of 1950 to fulfill this promise. The City Council reversed their decision to provide Public Housing, but Lincoln Housing Inc. was dissolved in August of 1951 without having constructed a single house. The Housing Authority was still convinced of the need for Public Housing, and contracted the Economic Research Agency of Madison to do a study of housing problems in Lincoln in 1950. The report, completed in 1950, indicated Lincoln indeed had a critical shortage of low income housing and recommended Public Housing. A goo deal of publicity was generated by this report. An article appearing in the Lincoln Journal in 1951 stated, "If you ever care to analyze the worn out and ambiguous phrase 'substandard housing' . . . to translate it into pale thin children, filthy black wallpaper, blazing hot former chicken houses and garages without sanitary facilities, but for which rent is charged, then just visit certain parts of Lincoln." Frank Edwards of Mutual Broadcast in 1951, stated in a national broadcast that the misery of the poor living in Lincoln, Nebraska was the same as the misery of the poor in the slums of Cleveland and Chicago. The Mayor was apparently not convinced such problems existed and requested a report on the subject from public and private welfare agencies of Lincoln.

The report was completed in Feb., 1952. It stated ". . . It is the belief of welfare agencies from the studies made that it is clearly evident that there is definitely needed in Lincoln a Public Housing program for low income people. . . .". The city's ten year plan that was published in 1952 stated ". . . it is necessary to provide a large amount of satisfactory low income rental housing . . . and suggest Public Housing".

Perhaps fearing another vote on Public Housing, the Home Builders Association of Lincoln made a second proposal to construct private low-income housing. President Ervin C. Peterson promised the council that 150 units would be constructed within six months, at no profit to the builders with the understanding that the Housing Authority would construct no Public Housing. The 150 units were never built.

By 1954 the Housing Authority had paid to the City all but $55,604.21 on the purchase price. On June 1, 1954 the balance was paid to the city and a new leasing agreement was entered into.

In 1966 the Lincoln Housing Authority received the right to participate in and receive federal assistance in public housing. It now operates a lease-rental program whereby the Authority leases from Lincoln landlords available units that meet required standards, renting to low-income families at a rent constituting 20-25 percent of the families' income. The difference between this amount and the lease with the landlords is made up with a subsidy from the federal government. The Housing Authority is presently authorized to have 1,350 units in this program, but has only about 1,100. Of this total about 457 units are rented to married student families, 366 units are rented to the elderly and 277 units are rented to the involuntary low income families of Lincoln. It is evident that a major service is being provided by the Lincoln Housing Authority to the University by housing this number of student families. The University provides only 57 units of married student housing.

The second lowest total of married student housing provided by a big eight school is 300 at the University of Kansas. Are the 457 student families really as in need as the hundreds of involuntary low income families of Lincoln? They can borrow on their future earning power and many receive money from their parents. The Housing Authority has a long waiting list for families who qualify for subsidized housing. How do students get to the top of the waiting lists? Many are not even from Nebraska. The Housing Authority refuses to divulge their selection method. It is not first come first served.

In 1969 a special act of the Unicameral allowed the Housing Authority to purchase government housing that would not serve low income people. It should be noted that Housing Authorities are supposed to exist solely to provide housing for low income people so this is very unusual. Why was it passed? G.S.A., the owners of the Air Park, wanted to sell the Air Park Housing. The City Council and Housing Authority members felt that 1000 units dumped on the real estate market in Lincoln would depress property values in Lincoln. The Council and the Housing Authority decided that the Housing Authority should purchase the Air Park and release the units on the private market slowly. It may be interesting at this time to examine the make-up of the present Housing Authority to better understand their concern for property values in Lincoln.

Among the Housing Authority Commissioners there is a president of Union Loan and Savings; a past president of 1st National Bank, a lawyer who does legal work for Woodman Life and a former builder and developer. These positions would certainly merit an interest in prescribing property values in Lincoln, but is that a legitimate function of the Housing Authority?

It should be considered also that Lincoln already has the 3rd highest property values in the U.S.A. (behind Washington D.C. and San Francisco).

In order to purchase the Air Park, the Housing Authority floated $1,500,000 worth of bonds which were purchased by Bankers Life. This money was used to put down a payment with G.S.A. The remainder of the 5.5 million purchase price is being paid over a 20 year period by the Housing Authority.

The day the units became the property of the Housing Authority, rent increases were announced on all units. Increases hit low income residents the hardest. Increases of up to 40% were enacted on the less expensive units. A citizens group called the Air Park Citizens Organization formed to protest the hikes, and as a form of appeasement the Housing Authority placed 150 of the units under rent subsidy. Since rent subsidy cannot be given to anything but privately owned houses, a special corporation was formed consisting of members of the Housing Authority and the City Council. This non-profit, private corporation served as a legal maneuver to transfer 150 air park leases to the private sector. It is interesting to note that the Housing Authority, through a special act of the Unicameral, assumed ownership of 1,000 units of housing which is predominately middle and upper middle income housing. The net result of their action was to reduce the low income rental market in Lincoln by 100 homes.

The functioning of the Lincoln Housing Authority is unique in this country. Housing Authorities are supposed to concern themselves solely with low income housing, yet in Lincoln we see the Authority managing 850 units of middle and upper middle income housing, and providing subsidized housing for students who are voluntary low income at best. They do propose to build a high rise 150 unit building for the elderly, and 150 units of scattered sight "Turnkey" housing for moderate income families soon, but this will not begin to solve the crisis of low income families in Lincoln.

THE UNIVERSITY OF NEBRASKA'S IMPACT ON LOW INCOME HOUSING

The presence of the University of Nebraska in Lincoln is contributing significantly to the problems low income people face in securing adequate housing in this city. By dividing the problems caused by the University into two distinct categories, we can see that the University is directly involved in creating Lincoln's housing shortage.

First, University expension has torn down several dwellings which have not been replaced and secondly, the University is currently providing housing for only about 25% of their total enrollment.

Examining the first category, we find that the University has acquired a great deal of property to the east of the city campus. To date, the University has either purchased and demolished housing, or holds options on property throughout the Malone area (bounded by 19th street on the west, R street on the south, 23rd street on the east, and W street in the north). With a few exceptions, the University has torn down virtually all of the homes it has purchased. Such a policy has created multiple problems for low income persons, for many people fearful of an expanding University sold cheaply, and rentors had their homes sold out from under them.

To further complicate an already critical housing shortage, the University currently provides 57 units for it's over 4,000 married students. This, plus the fact that Housing Authority leases approximately 40% of it's units to students, puts low income families at a serious disadvantage. By tacitly using the Lincoln Housing Authority to house its married students, the University of Nebraska is depriving low income families of safe and decent housing at reasonable rent rates. The University has forced almost 75% of the student population to compete with the low income families for a precious few low rental units in Lincoln. This condition is created by dorm rules and regulations that are unacceptable to many students and by not providing enough married student housing.

The University of Nebraska has a responsibility both to it's own students and to the community of which it is a member. They can satisfy both responsibilities by providing housing for their students. The University has at it's command substantial resources including Federal funds from the Department of Housing and Urban development. This would be a direct and immediate relief to the problems faced by Lincoln tenants. It is unjust to pit student against poor—it is most unfair to the children.

PROBLEMS OF THE NORTHEAST RADIAL

The proposed Northeast radial is a plan intended to develop 3.2 miles of freeway and 2.4 miles of arterial streets to handle traffic flowing from the central business district to the north and east. Current considerations indicate that the radial will be constructed from the present one way P and W streets along a corridor running north between 21st and 22nd streets to Holdrege street. From Holdrege, the proposal calls for the freeway to cut a diagonal path to the Northeast paralleling the railroad tracks to 48th street. From there an arterial running east along the present Freemont Street will run to 84th street. An arterial extending Holdredge street west to 14th and 18th streets around the University of Nebraska campus is also planned.

Although the concept of a major arterial from the central business district to the general Havelock area dates back into the 1940's, the first concrete proposal for building the radial (to our knowledge) appeared in the 1961 Comprehensive Regional Plan. The project was again mentioned in the Metropolitan Area Transportation Study of 1966. In 1967 two major studies were undertaken. The first was a preliminary Right-of-Way Appraisal Study, *North East Radial and Holdrege Bypass* by George Hancock. The second is entitled the "Northeast Radial Study" by Wilber Smith and associates. More recent information appears in the 1968 "Topics Plan", and the 1971 Railroad Transportation Study.

The 1967 *Northeast Radial Study* lists the total cost of the project at that time as $19,278,700. Of this amount $12,083,200 would be required for construction costs, and $7,187,500 for right-of-way costs. Construction costs have risen sharply since 1967, and an act of the Unicameral requiring the city to fully reimburse dislocated families for the cost of relocation will greatly increase Right-of-Way costs.

The city of Lincoln has to date purchased approximately 300 "tracts" of land to secure Right-of-Way for the radial. The cost to the taxpayers of Lincoln for these purchases has been approximately $3,000,000. Two hundred of these purchases were in phase one of the Radial (P and Q streets to 33rd st.) Within this phase the city has demolished about 135 homes, and is currently leasing forty units. Of homes purchased in phase two, 70 homes have been demolished, and 45 are being leased. It is estimated that an additional 200 units will be purchased (totaling approximately 500 units) before construction of the Radial is complete.

To this date all monies spent on this project have been provided by the City of Lincoln, in other words by you, the Citizens of Lincoln. It has not yet been determined what percent of the total cost will be financed by the City, what percent by the state, and what percent the Federal Government will provide. It is certain that a large percent of the total cost will be the burden of the tax payers of Lincoln. We feel therefore, that citizens of Lincoln should concern themselves with the following questions:

A large portion of the Northeast Radial proposed route nearly parallels the Cornhusker Highway. This raises the general question of whether both highways are essential. Should Cornhusker Highway be improved, or can present arterials handle the projected traffic flow?

Is Lincoln constructed in such a way to warrant channeling this amount of traffic into the Central Business District, or will the construction of the radial force the city to develop in this manner. Since the original plans for the Radial were planned there have been shopping centers outside the Central Business District developed, which has decentralized some of the shopping habits of suburbanites.

There are problems which channeling additional traffic into the Central Business District will create warranting additional costly development to handle increased traffic and parking. What will the costs be?

Are other capital improvements planned for Lincoln, such as road construction and repair, storm sewer construction, street lighting, etc. suffering because of large amounts of City money being spent on the Radial?

With the recent improvements of "O" Street developing it as a major artery, will the Radial really be necessary for the same purpose?

Why does the Radial feed directly into the Stevens Creek area where the City has not established plans for developing. The Stevens Creek area is within the IBM landbank. Does the city anticipate development of that area for residential or industrial use? Citizens should understand that the Stevens Creek area is a different watershed area that Lincoln, making provision of City sewer lines, water lines, and other utilities extremely costly.

What and who will this Radial serve? It will provide a quick access route for suburbanites to the University of Nebraska and the Central Business District, but for people living in the Malone and Clinton areas, it has already meant disruption of neighborhoods, and many families losing their homes. Until recently those people dislocated by the cities acquisition of their homes were not reimbursed for the full cost of relocation. They were simply given the market value of their homes. They did not choose to move, or have their neighborhood destroyed, yet were forced to move and quite often assumed a financial loss. It took a special act of the Unicameral in 1971, — ——, to require the city to reimburse dislocated families for the full cost of relocation. This bill is too late to help the many families already forced from their homes. It should be considered also that many families dislocated by the Radial were previously dislocated by University expansion into the Malone Area. Did the City consider these human costs when the Radial was planned?

TAX BREAKS

There is another process taking place that is rapidly destroying the low and moderate income neighborhoods in Lincoln. As property in these neighborhoods is placed on the market, it is purchased by builders interested in constructing apartment buildings. As enough land is acquired, the City Council is approached to rezone the land for this purpose. The City Council has been very generous with such requests, which has resulted in a large number of new apartment buildings being constructed recently. These apartments serve students and secretaries working in the central business district but are too expensive for low income families. Many of these apartment buildings are built not to serve the need in Lincoln, but to provide a tax shelter for builders and investors. The federal income tax laws allow builders to protect or shelter much of their income from taxes by investing in new apartments. The tax law allows these developers to assume for tax purposes that the value of their new buildings declines or depreciates drastically in the early years of the building's life. This depreciation can then be treated as a loss of income when they fill out their income tax returns. This questionable "loss" of income cancels out part of their real income and they pay less taxes. A comparison of the 1960 and 1970 Census of Housing indicates how the high returns realized in high priced rental units has affected the Lincoln housing picture. Units renting for under $40 a month decreased 50%, $40 to $59 a month units decreased 24%, $60 to $79 a month units increased 10%, $80–$99 a month units decreased $33%.

On the other end of the scale, units renting at $150 to $199 a month increased 478 per cent. Though the greater need for housing was for low income units, the larger profits realized in high priced units resulted in neglect of low income housing.

Not only do high priced apartments not serve low income families, they disrupt neighborhoods and decrease the possibility of rehabilitation of the neighborhoods.

CONCLUSION

In recent years low income tenants have approached the Housing Authority in attempt to change their policies of housing students. Students have supported low income tenants' efforts and have approached University officials with their concerns over lack of married student housing and the University's expansion into the Malone area. Their activities have been for naught. Tenant groups have introduced legislation to the Unicameral.

We feel that one reason we have had such a lack of support from the University, city officials, and the Housing Authority is the degree of control and influence of finance companies, builders and developers. In order for the problems of low income families to demand attention of the people in positions to improve the situation, there must be pressure applied. We appeal to the public to support the following proposals.

1. That the University provide adequate housing for married students and the Housing Authority discontinue its policy of subsidizing student families.
2. That the University accept student demands to liberalize dormitory rules so that dormitories do not operate at a high vacancy rate. This forces students to compete with low income families for housing when they could be housed in the University dormitories.
3. That the University assure a more responsible role for their depletion of available low income units in its expansion to the east. Their influence could be brought to bare on city and state officials and the Housing Authority to replace units destroyed by University expansion.
4. That the city reconsider its plans for the Northeast Radial to determine if it is really needed.
5. That the city seek out families who incurred a financial loss due to their relocation in right-of-way purchases for the Northeast Radial and reimburse them in the amount of their loss.

6. That the City Council give more attention to the cost to neighborhoods when granting rezoning to developers interested in the profits of high rent apartments.

7. That the Housing Authority extend the same energy in securing federal and private monies to provide sufficient low cost units as it has in preserving property values in its operation of the middle income units at the Air Park.

8. That the state laws are changed to make the Housing Authority responsible to the City Council. They presently do not answer to any elected officials and therefore, do not have to answer to the public.

STATEMENT OF CHARLES E. CHACE, EXECUTIVE DIRECTOR, NEBRASKA PETROLEUM COUNCIL, LINCOLN, NEBR.

Senator Humphrey, Senator Curtis and Senator Bellmon, my name is Charles E. Chace and I am the Executive Director of the Nebraska Petroleum Council. The Petroleum Council is a statewide trade association representing all phases of the petroleum industry including production, marketing, refining and transportation.

Our industry is most interested in the development of rural America and the promotion of job-creating industries in the rural areas.

It is our opinion that one of the best opportunities for new jobs in the midwest is the promotion of Tourism on all levels. It is amazing that many knowledgeable people do not look toward Tourism as an industry but I can assure you that without doubt, tourism can soon be the second largest industry in Nebraska.

While almost every community is looking for a "factory" etc., too many times they fail to realize that tourism is an industry that is aleardy here—if the community would just organize and do something about taking care of the many people that are going through their towns each day. Any community that is properly organized can create new jobs and new payrolls of a sizable nature. Tourism is an industry that you don't have to go out and look for, it is an industry that you don't have to build buildings for, that don't cause you to build new streets, new schools, new water mains and sewers and give tax incentives. Tourism will bring new tax dollars instead of being a "tax spender."

As one of our Public Service programs, the Nebraska Petroleum Council will stage "Tourism Clinics" in any Nebraska Community. I am enclosing a "flyer" showing an outline of such a clinic. We will be happy to furnish any more information on this subject you might desire.

TOURISM CLINIC

AS CONDUCTED BY THE NEBRASKA PETROLEUM COUNCIL

Subjects covered:

1. Nebraska's renewed interest in tourism.
2. Reasons for enthusiasm and leadership.
3. Overcoming the negative attitude with positive program.
4. The Ten Commandments of Tourism.
5. What is a tourist, what do they want, how to serve them.
6. Requirements necessary to make your town a tourist stop.
7. What attractions does your community have to offer.
8. What attractions does Nebraska have to offer.
9. What does tourism mean in dollars to a community.
10. What is our responsibility as progressive citizens.
11. Showing of the film, "The Broken Bow Story."

When held:

We have conducted clinics in the morning, afternoon, or evening. The clinic lasts about two hours and evening has proven to be the best time. Any day of the week is all right.

Who sponsors clinic:

Any group interested in promoting tourism in the town. The sponsoring group is responsible for publicizing the clinic, arranging for a meeting place, and handling local details.

Who attends:

While the school is aimed at providing training for the people that have the first chance to meet and greet the tourist; such as the service station attendants, waitresses and waiters, retail clerks, police officers, motel and hotel people, bartenders, etc, actually the training is good for anyone and we like to have as many employers present as employees.

What is the cost:

All that we ask of the community is to provide at least 50 to 100 people, a meeting place, proper publicity, and the coffee break. We provide the staff and all of the other materials.

How can we go about having a tourism clinic:

Contact the Nebraska Petroleum Council, 334 So. 13th Street in Lincoln, Nebraska. Telephone 477-4449. Arrange a date, set up a committee, and handle the above details. We will do the rest.

STATEMENT OF JAMES W. MONROE, EXECUTIVE DIRECTOR, OMAHA ECONOMIC DEVELOPMENT COUNCIL, OMAHA, NEBR.

I am James W. Monroe, Executive Director of the Omaha Economic Development Council. Prior experience includes having been Director of the Nebraska Department of Economic Development and Director of the South Dakota Industrial Development Expansion Agency. In the latter positions, I was primarily responsible for developing and implementing programs to assist rural communities. (Communities of under 50,000 population).

I am firmly convinced that Congress must develop a national community development policy which includes policies and program guidelines for both rural and urban communities. Unless the growth problems of all communities are treated simultaneously and in concert, we will continue to see special purpose programs which often times benefit only a relatively few communities at the expense of all communities. For example, disparities exist in financing housing (FHA & HUD) in rural and urban communities and also in grants and loans (FHA & HUD) for infra-structure development in our small and large cities. Also, the Economic Development Act programs administered by the Economic Development Administration have proven valuable to areas with high unemployment but have not applied to areas which have experienced significant net out-migration. Many counties in rural states should be eligible for EDA financial assistance due to out-migration but having low unemployment.

The National Governors Conference developed and adopted in 1969 a National Community Development Policy Framework, which provides an excellent start in shaping programs and legislative action needed to assist rural and urban communities. Review of this document by committee members and staff should prove fruitful as considerable time and effort was put into its making by a large number of knowledgeable people representing all levels of government.

I respectfully submit the following suggestions:

1. Growth centers.—In 1967, each state was asked to delineate planning and development regions for the purpose of guiding State and Federal programs and funds, thus eliminating confusion and duplication of efforts. In the process of delineating planning and development regions, many states identified growth centers or service centers within each region. These centers represent the major communities which have growth potential and which can best provide medical, educational, employment and cultural opportunities. Future rural development programs should focus on these centers as it is impossible to help every small rural community, many of which lack adequate infra-structure and are too remote from transportation and other services to attract new business and industry even if Congress provides financial incentives. It seems logical that the airline industry, for example, could do a better job of serving the people if airports and air passenger service were developed on the growth center or regional concept. The same would hold true for medical and educational (vocational training) services. I suggest that the Subcommittee on Rural Development urge State governments to adopt regional planning and the growth center concept.

2. State community development policy.—Each state should be called upon to develop a state policy on community development in which specific assistance programs are identified and funding needs determined. A compilation from all states would provide the basis for future Federal programs and necessary financial support.

3. *Assistance to local development corporations.*—Many small communities which have growth potential do not have adequate funds to acquire and fully develop industrial parks and to construct shell buildings in order to be prepared to compete with larger cities for new industry. Often times industry locates in a community primarily because of the availability of a shell or good existing building.

I suggest that the Small Business Administration be authorized to make low interest rate loans to local development corporations for site acquisition, development and construction of shell buildings. Under current programs, a tenant must be in hand before funds are available. (This could be started as a pilot program.) Payments on interest and principal should be deferred for two years unless a tenant has been obtained in the interim. A loan program of this type would be more agreeable to everyone than a give-away program.

4. *Technical assistance to small industry.*—The State Technical Services Act of 1965 should be revised and funded at a higher level with administrative responsibility delegated to the State Departments of Economic Development. There is wide spread support for this program which proved of great value for several years to small industries throughout America, but the program was terminated before its full impact could be realized. In fact, the State Technical Services Act of 1965 provided for the first time, in many states, assistance of a technical nature to small business and industry. Many small industries do not have technical staff capabilities to cope with or take advantage of the new and fast changing technology currently taking place. A revised STS program could marshall the efforts and expertise of our institutions of higher education, governmental as well as private research and technical resources to expand capabilities of small industries, many of which are located in rural communities, thus creating additional jobs.

5. *Create an awareness of advantages in rural America.*—An awareness program is needed whereby public service time is provided by radio, T.V. and newspapers to help convey the true image of rural America and the potentials and opportunities available in small communities.

Programs implemented to help small communities must be a part of a National Community Development effort which will relieve the pressure on large cities but not to the detriment of the latter.

U.S. Department of Commerce,
Bureau of the Census,
Washington, D.C., November 10, 1971.

Hon. Hubert H. Humphrey,
Chairman, Rural Development Subcommittee,
U.S. Senate, Washington, D.C.

Dear Senator Humphrey: This is in response to your communication of October 22 requesting our reaction to the accompanying statement by President D. B. Varner of the University of Nebraska regarding the establishment of Rural Development Institutes in connection with State Land Grant Colleges and Universities and the Cooperative Federal-State Extension Services.

The Bureau's primary functions and areas of expert knowledge are those related to the determination of data needs, the collection and processing of needed data, and the analysis and publication of the results. From this background we note with particular interest President Varner's proposal that the College of Business Administration, through its resources for business research, marketing studies, transportation research and systems analysis, participate in a program directed to the strengthening of existing businesses and the creation of new job opportunities. Such a program, as President Varner notes, could contribute significantly to rural development. The Census Bureau would be glad to cooperate with the College of Business Administration in the development of a data program designed to achieve these objectives.

If I can be of assistance in any other way, please let me know.

Sincerely,

George H. Brown,
Director, Bureau of the Census.